CHK Oil Limited
中港石油有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 632

2024 ANNUAL REPORT

* For identification purpose only

Contents

Corporate Information

DIRECTORS

Executive Directors

Yu Zhibo *(Chairman)*
Jin Ailong *(Chief Executive Officer)*
Yang Yuyan
Sun Xiaoze

Non-executive Directors

Lin Qing Yu
Zheng Ye

Independent Non-executive Directors

Zhong Bifeng
Huang Qingwei
Shen Shigang

AUDIT COMMITTEE

Huang Qingwei *(Chairlady)*
Zhong Bifeng
Shen Shigang

REMUNERATION COMMITTEE

Zhong Bifeng *(Chairlady)*
Yu Zhibo
Shen Shigang

NOMINATION COMMITTEE

Shen Shigang *(Chairman)*
Yu Zhibo
Zhong Bifeng

LEGAL ADVISERS

YC Solicitors LLP

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.

COMPANY SECRETARY

Lam Man Kit

AUDITOR

Forvis Mazars CPA Limited

AUTHORISED REPRESENTATIVES

Yu Zhibo
Lam Man Kit

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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Mira Place Tower A
No. 132 Nathan Road
Kowloon, Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179, Hamilton HM EX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

https://www.chkoilltd.com/

STOCK CODE

632

Financial Highlights

	Notes	2024 *HK$'000*	2023 *HK$'000* (Restated)
For the year ended 31 December			
Revenue		**153,126**	161,497
Loss for the year		**(21,482)**	(31,284)
Loss attributable to owners		**(21,482)**	(31,284)
Loss per share			
Basic *(HK cents)*			
– For loss for the year		**(2.55)**	(3.72)
Diluted *(HK cents)*			
– For loss for the year		**(2.55)**	(3.72)
Average shareholders' equity		**239,978**	269,383
Average capital employed		**245,352**	276,166
At 31 December			
Total indebtedness	*1*	**15,794**	20,296
Shareholders' equity		**227,633**	252,323
Capital employed	*2*	**234,748**	255,955
Ratio			
Return on average capital employed *(%)*	*3*	**(8.8%)**	(11.3%)
Return on average equity *(%)*	*4*	**(9.0%)**	(11.6%)
Total debt to shareholders' equity *(%)*	*5*	**24.7%**	33.2%
Total indebtedness-to-equity Ratio *(%)*	*6*	**6.9%**	8.0%

Notes:

1. Total indebtedness = lease liabilities + bank loan and other borrowings + loans from ultimate holding company
2. Capital employed = shareholders' funds + non-controlling interests + non-current liabilities
3. Return on average capital employed = loss for the year/average capital employed
4. Return on average equity = net loss attributable to owners/average shareholders' equity
5. Total debt to shareholders' equity = total debt/shareholders' equity
6. Total indebtedness-to-equity = total indebtedness/total equity

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of the Company, I am pleased to present the annual report of CHK Oil Limited and its subsidiaries for the year ended 31 December 2024.

Over the past year, our oil trading business in China faced a series of unprecedented challenges as slower economic growth and weakened domestic demand in China. The downstream industries of our clients were particularly hard hit, resulting in tighter profit margins and causing several key refineries to make intermittent production adjustments.

These factors directly impacted the oil market, affecting the operational viability and profitability of our industry. To address these challenges, our team demonstrated adaptability, readjusted our trading strategies, and enhanced operational efficiency to mitigate the impact of these challenges.

I am pleased to report that there has been an improvement in industry profit margins recently, indicating that the market is beginning to recover. This positive momentum demonstrates the resilience of our business model and the effectiveness of our strategic response to adversity.

Under the current geopolitical climate, there is significant uncertainty in US-China relations, leading to a layer of political risk. Moreover, the trajectory of OPEC+ cuts on oil demand forecast and potential disruptions to energy trade flows cannot be ignored. Upon restoring operational capacities within our gas and oil fields in Utah ("Utah Gas and Oil Field"), we hope to enhance the production scale and efficiency. We maintained basic operational levels in our Utah Gas and Oil Field throughout the year, highlighting the need to balance investment considerations with escalating political risks. This cautious approach reflects our commitment to protecting shareholder value while carefully assessing the evolving geopolitical landscape.

On behalf of the board of directors of the Company, I would like to take this opportunity to express my appreciation to our customers, suppliers, business associates, shareholders and other stakeholders for their support. I would also like to express our gratitude to our staff for their invaluable service and contributions throughout the year.

Looking ahead, we remain cautiously optimistic about the recovery of China's economy and its positive impact on domestic demand. Our strategic position and proactive measures have prepared us to capitalise on this anticipated recovery, driving growth, and sustainability in our operations in China and beyond. We are committed to delivering lasting value to all our stakeholders, navigating the complexities of the global market with resilience and strategic foresight.

Yu Zhibo
Chairman

Hong Kong, 28 March 2025

Profiles of Directors

Executive Directors

Mr. Yu Zhibo ("Mr. Yu"), aged 62, was appointed as an executive Director on 29 June 2020 and re-designated as a non-executive Director on 21 September 2020, then re-designated as an executive Director on 17 April 2023. He was appointed as the Vice Chairman of the Board on 3 June 2021 and re-designed as the Chairman of the Board on 4 October 2024. Mr. Yu is a director and shareholder of Xin Hua Petroleum (Hong Kong) Limited ("Xin Hua"), a controlling shareholder of the Company. He has over 10 years' experience in the petrochemical industry.

From January 2007 to January 2009, Mr. Yu was the chairman and the general manager of Daqing Jinlian Petrochemical Co., Ltd* (大慶錦聯石油化工有限公司). From October 2009 to March 2019, he was the director of Daqing Lianyi Petrochemical Co., Ltd* (大慶聯誼石化股份有限公司) ("Daqing Lianyi") and from August 2012 to October 2016, he was also acting as the chairman of Daqing Lianyi. From October 2016 to March 2019, he was the vice general manager of Daqing Lianyi. Daqing Lianyi is a petrochemical company engaging in, among others, sale of crude oil, petroleum processing and distribution of oil-related products business.

Mr. Yu joined the Group in August 2019 and has since been the vice president in the business trading department of the Company. Mr. Yu completed his legal professional studies (法律專科) in July 1989 and law studies (法律本科) in January 1998 at Heilongjiang Administrative Cadre Institute of Politics and Law* (黑龍江省政法管理幹部學院). He obtained his Master in Executive MBA (高級管理人員工商管理碩士) at Tsinghua University (清華大學) in January 2019.

Mr. Jin Ailong ("Mr. Jin"), aged 51, was appointed as an executive Director on 17 April 2023. He was appointed as the Chief Executive Officer of the Company on 4 October 2024. Mr. Jin has been the Vice President of the Group since 11 January 2022 and is in charge of the domestic oil trading business. Mr. Jin was the company manager of Blue Star Petroleum Company Limited (Daqing Branch)* (藍星石油有限公司大慶分公司) from July 2005 to October 2008 and the Chief Commercial Officer of Daqing Zhonglan Petrochemical Company Limited from January 2013 to January 2022. Mr. Jin is currently a general manager of Palm Energy (Hainan) Co., Limited* (棕櫚能源(海南)有限公司), a wholly-owned subsidiary of the Company.

Mr. Jin graduated from the Heilongjiang Provincial Committee Party School* (中共黑龍江省委黨校) in January 2002 with a bachelor's degree in economics and management, and graduated from Southwest University in July 2009 with a bachelor's degree in marketing.

Ms. Yang Yuyan ("Ms. Yang"), aged 42, was appointed as an independent non-executive Director on 21 September 2020 and re-designated as an executive Director on 6 August 2021. Ms. Yang served as a financial manager of Heilongjiang province Longyou Group Company Limited* (黑龍江龍油集團有限公司) from January 2017 to June 2018. Ms. Yang has served as financial controller of Daqing Direction Software Technology Co., Ltd* (大慶正方軟件科技股份有限公司), a company quoted on National Equities Exchange and Quotations (Code: 832911) from August 2018 to August 2021. She is currently the financial controller of Palm Energy (Hainan) Co., Limited* (棕櫚能源(海南)有限公司), a wholly-owned subsidiary of the Company.

Ms. Yang finished her bachelor of accounting at Jilin University of Finance and Economics* (吉林財經大學) through passing self-taught higher education examinations in 2013. She has been qualified as an intermediate accountant in the PRC since 2009. She has been a tax advisor as certified by the China Certified Tax Agents Association since November 2020. Ms. Yang obtained the qualification of the Certified Public Accountant in the PRC in April 2021 and Certified Management Accountant in the United States of America in June 2021.

Ms. Sun Xiaoze ("Ms. Sun"), aged 38, was appointed as an executive Director on 6 August 2021. From July 2011 to October 2015, Ms. Sun served as the director of the Human Resources Department of Groupama AVIC Property Insurance Co., Ltd.* (中航安盟財產保險有限公司). From October 2015 to October 2019, Ms. Sun served as the director of the Human Resources Department of ZK Engineering (Beijing) Development Corporation* (中科建設(北京)開發總公司). From November 2019 to June 2021, Ms. Sun served as the chief executive at Beijing Branch of Shenyang Rubai Hotel Management Co., Ltd.* (瀋陽瑞柏酒店管理有限公司北京分公司). Ms. Sun has served as the art consultant of ADGY (Beijing) International Cultural Center* (阿登高原(北京)國際藝術中心) and M56 Art Museum* (M56美術館) in Shenyang from 2018 to May 2022. Ms. Sun received a Master of Science from the Graduate School of the Chinese Academy of Sciences (Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences) in July 2011. She is currently a vice general manager of Palm Energy (Hainan) Co., Limited* (棕櫚能源(海南)有限公司), a wholly-owned subsidiary of the Company.

Profiles of Directors

Non-executive Directors

Mr. Lin Qin Yu ("Mr. Lin"), aged 50, was appointed as an executive Director on 3 October 2018 and re-designated as a non-executive Director on 17 April 2023. He served as the General Manager of Jilin Xinda Petroleum and Chemical Industry Co., Ltd.* (吉林新大石油化工有限公司) from 2008 to 2011, and has been the chairman and legal representative of Jilin Shengde Industrial Group Co., Ltd.* (吉林聖德實業集團有限公司) since December 2011. Mr. Lin graduated from Economics and Management professional studies (大專班經濟管理事業) in the Open College of the Central Communist Party School (中共中央黨校函授學院) in 1996.

Mr. Zheng Ye ("Mr. Zheng"), aged 58, was appointed as a non-executive Director on 6 August 2021. He has nearly 30 years of working experience in the petroleum industry. From 1992 to 1998, he served as a sales clerk at Changchun Materials Cooperation Co., Ltd.* (長春市物資協作有限公司) (the former name of Changchun Xinda Petroleum Group Co., Ltd.). From 1998 to 2015, he served as the director of the Sales Department of Changchun Xinda Petroleum Group Co., Ltd.* (長春新大石油集團有限公司). Since 2015, he has served as a director and the deputy general manager of Changchun Xinda Petroleum Group Co., Ltd. Since 2015, he has served as the deputy general manager of Jilin Xinda Petrochemical Co., Ltd.* (吉林省新大石油化工有限公司). Since 2015, Mr. Zheng has served as the director of Beihu School of Changchun No. 11 High School* (長春市十一高中北湖學校). Since 2015, he has served as the president of the Petroleum Chamber of Commerce of Jilin Federation of Industry & Commerce* (吉林省工商聯石油業商會). Mr. Zheng finished the diploma English course in Northeast Normal University School of Foreign Languages in June 1991.

Independent Non-executive Directors

Ms. Zhong Bifeng ("Ms. Zhong"), aged 40, was appointed as an independent non-executive Director on 14 August 2019. She worked in Meizhou Culture, Radio, Television and the Tourism Bureau of Guangdong Province* (廣東省梅州市文化廣電旅遊局) from November 2007 to October 2013. She served as manager of sales department of Jilin Province Li'an Petrochemical Co., Limited* (吉林省利安石油化工有限公司) from April 2013 to March 2014. She worked as the supervisor of trade department and then promoted to the deputy director of operation department in Liaoning Dingyuan New Energy Trading Co., Ltd* (遼寧鼎元新能源貿易有限公司) from 2014 to 2018. Ms. Zhong holds a bachelor's degree in law from Shijiazhuang Army Command College* (石家莊陸軍指揮學院) in Hebei Province, China in June 2007.

Ms. Huang Qingwei ("Ms. Huang"), aged 45, was appointed as an independent non-executive Director on 6 August 2021. She joined Grant Thornton International Ltd in 2010 and served as a project manager from 2010 to 2013, as a manager from 2014 to 2017, and as a senior manager from 2018 to 2019. She has served as a project manager at Zhongxi CPAs (Special General Partnership) since 2020. Ms. Huang finished a 3-year diploma accounting course in Jilin College of Finance & Taxation* (吉林財稅高等專科學校) in July 2003. She currently holds the qualifications of senior accountant and Certified Public Accountant in the PRC. She is a tax advisor as certified by the China Certified Tax Agent Association since January 2022.

Mr. Shen Shigang ("Mr. Shen"), aged 52, was appointed as an independent non-executive Director on 6 August 2021. He has served as legal counsel for many enterprises and public institutions: for Benxi Xiyuan Industrial Co., Ltd.* (本溪溪源實業有限公司) since April 2013; for Benxi Bureau of Finance* (本溪市財政局) since January 2019; for Liaoning Jiaguan Petrochemical Technology Co., Ltd.* (遼寧嘉冠石化科技有限公司) since July 2019; and for Liaoning Hexie Human Resources Co., Ltd.* (遼寧和協人力資源有限公司) since February 2021. Mr. Shen is currently a qualified lawyer in the PRC. He obtained a bachelor's degree in economic law in 2005, and passed the qualification of Insurance Surveyor in September 2014.

* *English translation for identification purpose only*

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2024 (the "Year"), the Group recorded a consolidated revenue of approximately HK$153.1 million (2023: approximately HK$161.5 million) mainly contributed from the trading of oil, oil-related products and other products business. Basic and diluted loss per share for the Year was HK$2.55 cents (2023 (Restated): HK$3.72 cents). Basic and diluted loss per share were based on the weighted average of approximately 841.6 million shares (2023: approximately 841.6 million shares) in issue for the Year. Gross profit for the Year amounted to approximately HK$2.2 million (2023: approximately HK$1.5 million), which was mainly contributed by the trading of oil and oil-related products in the PRC.

The net loss attributable to the owners of the Company for the Year was approximately HK$21.5 million, as compared with the net loss attributable to owners of the Company of approximately restated HK$31.3 million for the year ended 31 December 2023. The decrease in the net loss for the Year was mainly attributable to the reversal of impairment loss on the oil and gas properties and intangible assets, partially offset by the increase in administrative expenses which was primarily driven by the increase in expenditure of the maintenance works for the wells in the Utah Gas and Oil Field.

In respect of the reversal of impairment loss on the oil and gas properties and intangible assets in the oil and gas sales segment, the increase in the fair value of oil and gas properties and intangible assets was primarily attributable to increase in natural gas price during the Year.

BUSINESS REVIEW

Trading Business

The crude oil industry has its industry-specific characteristics as domestic supplies are concentrated in a few enterprises. Based on the industry practice in the PRC, to secure a steady crude oil supply for trade, procurement agreements usually would be signed with suppliers and prepayment of purchase would be made in advance. However, due to the rising operating costs, some oil refineries faced thin margins or even losses, and scaled down their production, which eventually limited the extent of trade activities and caused significant impact on performance for our trading business in term of trading volume and profit margin. During the Year, the Group recorded revenue of approximately HK$153.1 million (2023: approximately HK$161.5 million) in the trading of oil, oil-related and other products segment.

Utah Gas and Oil Field

As disclosed in the announcements of the Company dated 15 August 2024 and 27 September 2024, the Bureau of Land Management (the "BLM") of the United States Department of Interior issued written orders stating that the BLM considered three of the Group's leases (the "Relevant Leases") have been terminated on 31 July 2020 and 31 March 2021, respectively. Based on the legal advice from the Company's legal advisers in Utah, taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by the BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of the BLM's first written order. As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. In light of the termination of the Relevant Leases, the Group filed a request for review of the BLM's decision on 26 September 2024. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. On 12 March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022, respectively reconfirming its decision to terminate the Relevant Leases.

In addition, although the termination orders were set aside and remanded, the BLM deemed the Relevant Leases terminated, and the Group was not allowed to do any work on the wells on the Relevant Leases. As such, the Group considers that the Group has not possessed the exploitation interest of the Relevant Leases in the Utah Gas and Oil Field as at 31 December 2022. As of 31 December 2024, the Group ceased to hold interest in the Relevant Leases, while it continues to retain the procession of the three remaining leases (the “Remaining Leases”).

Presently, the Group oversees four wells under the Remaining Leases. In order to revitalise production, the Group is working with an oil services company for the maintenance of production facilities. In late December 2024, one of the wells has successfully undergone maintenance and resumed production. In late February 2025, two more wells have completed the necessary gas testing and are poised to commence production, pending the integrity of the pipeline and pigging system installation. The fourth well remains under maintenance. During the Year, the Group recorded revenue of approximately HK$1,000 (2023: Nil) in the oil and gas sales segment.

Principal Risks and Uncertainties Facing by the Group

Risk associated with the Utah Gas and Oil Field

As mentioned in the above section headed “Business Review” in this report, the Company has been in the course of seeking legal advice from its legal advisers in Utah to assess the legal implications and penalty, if any, and the possible legal actions that may be taken under the applicable laws in respect of the Relevant Leases and the orders of the BLM. As advised by its legal advisers in Utah, the BLM’s termination decision was led by the lack of production on the Relevant Leases since 2020, which was during the time of the Covid-19 pandemic and the restructuring of the third-party service provider which had caused interruption to its provision of gas transportation pipeline on the Relevant Leases. Although in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies, in March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022, respectively. The Company will continue to seek legal advice from its legal advisers on the possible legal actions that may be taken under the applicable laws in respect of the Relevant Leases and the termination decision of the BLM. The Group will closely monitor the development and take all possible actions to protect and safeguard the interests of the Company and its shareholders.

Price risk

The revenue and financial results of the oil and gas sales segment are sensitive to changes in natural gas and oil prices and general economic conditions. Any substantial decline in natural gas or oil prices may result in delay or cancellation of existing or future drilling, exploration or reduction and closure of production. Furthermore, it could have a negative impact on the value and amount of our reserves, net income from production and trade, our cash flow and profitability.

In the Year, oil price fluctuated between approximately US$70/barrel and US$90/barrel, while natural gas fluctuated between approximately US$1.51/million British thermal units (“MMBtu”) and US$3.25/MMBtu. At the beginning of 2024, the price of Brent crude oil started at approximately US$80 per barrel, gradually decreased to approximately US$70 per barrel in late 2024. The price of natural gas started at approximately US$2.6/MMBtu at the beginning of 2024 and closed at approximately US$3.4/MMBtu in December 2024. (Source: eia.gov)

Natural gas and oil prices are both expected to fluctuate in the foreseeable future due to uncertain factors related to the supply and demand of these commodities in the market. These uncertain factors are in turn resulting from the high degree of uncertainty in the growth of the global economy, war situation between Russia and Ukraine. As such, it may be difficult to budget and project the returns on the development and exploitation projects. In order to alleviate the negative impact of the price uncertainties, the Group has reviewed its pricing policies and ensure that the contracts entered into by the Group include a necessary price adjustment mechanism with reference to the quoted market price.

Cost risks and risk associated by hiring third party service providers

The exploration for and development of our well sites of Utah Gas and Oil Field requires a significant amount of capital investment. The operation of the Utah Gas and Oil Field also depends on services provided by third parties, including, without limitation, processing pipelines for the transportation of products, equipment procurement, and operation and construction services on certain production facilities. The possible costs for the construction and production equipment as well as the services can inflate costs of project development and increase future production cost. Furthermore, the failure of any third service party to comply with the terms and conditions of the applicable agreements will have a negative impact on our operations. The Group actively seeks alternative third-party service providers with reasonable cost and necessary licences across the world and conducts due diligence on the counter-parties to mitigate the risks associated with the third-party service providers.

OPERATIONAL REVIEW AND UPDATE ON RESERVES

Except for the maintenance works for the wells under the Remaining Leases, the Group has not undertaken any further exploration and development on the Utah Gas and Oil Field for the Year. During the Year, there have been production activities in the Utah Gas and Oil Field and the expenditure for such production activities and its associated cost (including the maintenance costs) was approximately HK$8.3 million.

Following the termination of the Relevant Leases, according to the latest reserves and resources evaluation report, the gross proved gas reserves and the gross proved plus probable gas reserves of the Utah Gas and Oil Field as at 31 December 2024 were approximately 31.7 billion cubic feet and 34.1 billion cubic feet respectively (2023: 86.7 billion cubic feet and 90.2 billion cubic feet[Note]); and the gross proved oil and condensate reserves and the gross proved plus probable oil and condensate reserves of the Utah Gas and Oil Field as at 31 December 2024 were approximately 276 thousand barrels and 1,712 thousand barrels respectively (2023: 938 thousand barrels and 3,152 thousand barrels[Note]).

PROSPECTS

Trading and Service Business

The Company has been proactively discussing with its heavy industry customers during the Year and the Company entered into a framework agreement with customers to arrange for delivery of cruel oil in the forthcoming year. The Group expects that, with the heavy and manufacturing industry sector gradually resuming normal in the PRC, the domestic demands for cruel oil and oil-related products and the Group’s trading business is anticipated to improve in 2025. The Company will continue to strive to improve its operating results and financial position to address the going concern assumption for the subsequent reporting period.

Looking ahead, the oil trading business is still affected by the progress of international trade normalization, especially in terms of the PRC’s low inflation and international political situations. In spite of the uncertainties and challenges ahead, the Group will continue to (i) maintain and develop its existing business as well as explore new business opportunities in the following areas of international trade on oil and oil-related products; (ii) seek high-quality leasable and purchasable projects in the upstream and downstream of the industry; and (iii) striving to achieve vertical synergies in the industries of the petroleum and petrochemical.

Note:

The reserves of gas, oil and condensate as of 31 December 2023 are based on the reserves and resources evaluation report dated 30 March 2022, with no significant production occurring since 2022.

Utah Gas and Oil Field

In respect of the Remaining Leases, our strategic focus is now directed towards restoring operational capacities within our Utah Gas and Oil Field under the Remaining Leases. The Group has retained close attention and continuously followed up on the repairment works of the production facilities of the oil and gas wells under the Remaining Leases. As mentioned above, three of the wells have completed their maintenance, with one already back in production. Committed to restoring full operational capacity, the Group will continue to closely monitor the maintenance progress of the wells under the Remaining Leases to ensure production resumes seamlessly.

Upon resuming production of the wells under the Remaining Leases, the Group will assess its financial resources and capacities to reformulate new drilling plan to enhance the production scale. The Group will consider a range of financing options to address funding needs as they emerge, while also exploring the development of new wells by co-operating with other investor to share expertise, costs, and risks effectively. Leveraging the extensive industry expertise of our chairman of the Board in the PRC's oil and gas sector, we are exploring opportunity to implement advanced oil and gas extraction technologies from the PRC to improve the productivity and operational efficiency of the Utah Gas and Oil Field. Upon successfully integrating these advanced technologies into our oil and gas wells, the Group plans to capitalise on its enhanced capabilities by exploring opportunities in the domestic market. The Group will strategically promote these innovations, showcasing their potential to optimise extraction efficiency, increase production yields, and meet the evolving demands of the domestic energy sector.

Looking ahead, our strategic agenda encompasses the proactive promotion of cost-effectiveness while sustaining production growth. Emphasis will be placed on completion quality management, alongside vigilant cost control, to attain the mutual objectives of improving productivity and operational efficiency.

In the long run, the Group will explore potential investments in clean energy, waste-to-energy technology and renewable energy, aiming to minimise emissions, achieve long-term sustainability and environmentally friendly objectives.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, there were HK$10.9 million outstanding balance of interest-free loans owed to its ultimate holding company (being the controlling shareholder of the Company) (As at 31 December 2023: HK$3.0 million) and RMB3.0 million (approximately equivalent to HK$3.2 million) outstanding balance of interest bearing loan with variable interest rate owed to bank and no interest-free loan owed to other borrower (As at 31 December 2023: HK$13.9 million). The Group's cash and bank balances as at 31 December 2024 was approximately HK$13.5 million (approximately HK$1.3 million as at 31 December 2023), it was mainly due to the decrease in trade deposit paid. The current ratio (calculated on the basis of the Group's current assets over current liabilities) was approximately 2.2 times (As at 31 December 2023: 2.3 times).

The Group requires additional capital from time to time to maintain operations and maximise returns. Our source of funds primarily generated from our business activities and financial support from the ultimate holding company. We adopt a relatively conservative treasury policy to reduce business risks. During the Year, the Group did not use any financial instruments for hedging.

The Group's total finance costs was approximately HK$264,000 for the Year (2023: HK$249,000). The increase was mainly due to the increase in interest on bank borrowings during the Year.

On 17 January 2025 (after trading hours), the Company and Xin Hua entered into a loan settlement agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of loan from Xin Hua of HK$5,000,000 will be partially settled through allotment and issuance of 12,048,192 capitalisation shares at the Issue Price of HK$0.415 per capitalisation share to Xin Hua. For details, please refer to the announcements of the Company published on 17 January 2025 and 21 March 2025, and the circular of the Company published on 28 February 2025.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

CHARGES ON GROUP ASSETS

As at 31 December 2024, the Group did not have any charges on assets (31 December 2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group had no material acquisition and disposal of subsidiaries and associated companies during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Prospects" in this report, there were no future plans for material investments or capital assets as at the date of this report.

SIGNIFICANT INVESTMENT

Save as those disclosed under the section headed "Management Discussion and Analysis" in this report, the Group did not have any significant investment during the Year.

FOREIGN EXCHANGE EXPOSURE

The operating revenue of the Group is mainly denominated in RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchange rates. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. During the Year, the Group conducted its business transactions principally in US$ and RMB or in the local currencies of the operating subsidiaries. Having considered (i) the historical trend of the exchange rates between the RMB and HK$; and (ii) the operation of the Group which does not involve significant volume of cross-border remittances, the Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

GEARING RATIO

As at 31 December 2024, the gearing ratio (debt-to-asset ratio) of the Group, calculated as total liabilities divided by total assets, was approximately 19.8% (31 December 2023 (Restated): 24.9%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the number of employees of the Group was about 20 (2023: 27). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; and other employee benefits include travelling allowances and discretionary bonuses.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

The following is an extract of Forvis Mazars's report on the Group's consolidated financial statements for the year ended 31 December 2024.

"We draw attention to the "Going concern" section in note 2(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss attributable to owners of the Company of HK$21,482,000 for the year ended 31 December 2024 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,213,000 which are due for repayment within the next twelve months after 31 December 2024, while the Group had only bank balances and cash of HK$13,511,000. These conditions along with other matters as set forth in note 2(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business."

The Directors of the Company, having considered the plans and measures being taken by the Group, are of opinion that the Group would be able to continue as a going concern. The Company's auditors' opinion is not modified in respect of this matter.

Environmental, Social and Governance Report

ABOUT US

CHK Oil Limited (the "Company", together with its subsidiaries, the "Group" or "we") is principally engaged in the investment holding, exploring, exploiting and sale of oil and natural gas, and trading of oil, oil-related and other products. The Group holds exploitation interest in the Utah Gas and Oil Field project located in Utah of the United States of America (the "US").

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (the "ESG Report") aims to provide a balanced representation of the efforts made by the Group on its environmental, social and governance ("ESG") management approaches, performance, strategies, priorities, objectives, and compliance with the relevant laws and regulations.

Reporting Period

Unless otherwise stated, the ESG Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year ended 31 December 2024 (the "Reporting Period" or "2024").

Reporting Scope

The reporting scope is determined based on the revenue contribution of the business segments under the Group's direct operational control.

Unless otherwise stated, the ESG Report covers the Group's business operations at the head office in Hong Kong and three offices of principal subsidiaries in the People's Republic of China (the "PRC") and the US. All of the Group's revenue were derived from the above operations. ESG key performance indicators ("KPIs") data are obtained from the aforementioned business operations. The ESG Report excludes any business operations which have been outsourced or subcontracted, where the related ESG information is not made available to the Group.

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report of the Annual Report.

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follows:

Materiality: A materiality assessment was conducted to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the board of directors (the "Board") and the ESG Task Force (the "Task Force") of the Company. For further details, please refer to the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data were supplemented by explanatory notes.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is consistent with the year ended 31 December 2023 ("2023") for comparison. If there are any changes in the scope of disclosure and calculation methodologies that may affect the comparison with previous reports, explanations will be provided to the corresponding data.

BOARD STATEMENT

Dear Valued Stakeholders,

On behalf of the Board, I am pleased to present the ESG Report of the Group, which demonstrates our growing commitment to improving our ESG performance in five aspects, including corporate governance, environmental protection, employment practices, operating practices and community investment.

The Group believes that sustainable development is vital to the earth and contributes to the long-term prosperity and development of the Group's business. In alignment with the international trend and the PRC government's ambitious pledge to hit peak emissions by 2030 and carbon neutrality by 2060 ("30−60 goals"), the Group is responding to climate change and preparing for energy transition. The Group is exploring ways to decarbonise its operations and is considering possible investment in renewable and low-carbon alternatives, aiming to transform itself into an integrated energy company. Starting from the year ended 31 December 2021 ("2021"), the Group has set environmental targets covering aspects of emissions reduction, waste management and resources conservation. To achieve these targets, the Group actively implements the principles of sustainable development and adopts relevant measures at operational levels. The Board has delegated the Task Force to track and review the Group's performance and evaluate its progress towards the targets. Relevant progress is summarised in the section headed "Environmental Targets".

As a responsible corporate citizen, the Group has also established a group-wide "Climate Change and Environmental Protection Policy" in order to proactively identify, analyse, and manage concerns relating to climate change. Our business agenda will continue to place a high priority on combating climate change, and we will continue to incorporate climate-related risk into our risk management framework.

Besides, the Group recognises the importance of strengthening awareness and education within the Group in order to promote a deeper understanding of resource management and environmental preservation. We remain committed to the strategy of balancing economic growth with environmental responsibility. This requires us to continually enhance the skills and capabilities of our employees. We also consider the synergy between sustainable development strategies and the optimal utilisation of natural resources, emphasising the need for technological innovation to minimise waste and safeguard against resource depletion to ensure both our business success and a sustainable future.

While keeping compliance and effectiveness as our top priorities, we continue to improve our governance practices. The Group makes an effort to create a solid governance structure to effectively manage ESG issues that concern the Group in order to effectively address environmental and social issues. The Board is responsible for overseeing the Group's ESG issues, assessing how ESG issues may affect the Group's overall strategies, and developing ESG management approaches and strategies. Information about the Group's ESG governance structure is stated in the section headed "ESG GOVERNANCE STRUCTURE".

We enhance communications with internal and external stakeholders in order to identify and prioritise material ESG issues that have an impact on the economy, environment and society and influence on stakeholders. The Group works with an independent third party to conduct materiality assessment. Information about the stakeholder engagement channels and the materiality assessment conducted by the Group is stated in the sections headed "STAKEHOLDER ENGAGEMENT" and "MATERIALITY ASSESSMENT" respectively.

In closing, on behalf of the Board, I would like to convey my heartfelt gratitude to our valued stakeholders for their steadfast support, while also expressing my appreciation to our employees for their valuable contribution to the development of the Group. Looking forward, the Group will continue to deepen the integration of ESG concepts into its business strategy and management system, operate its business in a more responsible manner and promote safety and green development in order to create value for shareholders and pursue a sustainable future.

Yu Zhibo
Chairman and Executive Director

Hong Kong, 28 March, 2025

ESG GOVERNANCE STRUCTURE

To ensure its ESG governance aligns with its business strategy and commitment to sustainability, the Group has developed an ESG governance structure that integrates ESG management into its business operations and decision-making process.

The Board holds the overall responsibility for the Group's ESG issues and sets out ESG management approach, strategy, priorities and objectives. The Board is diverse in its composition and is considered to have a balance of skills and experience in overseeing the ESG matters of the Group. In order to better manage the Group's ESG performance, related issues and potential risks, the Board should at least annually discuss ESG issues collectively, and review the materiality of ESG issues, ESG-related risks and opportunities of the Group, as well as its performance against ESG-related targets. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal control systems and approving disclosures in the ESG reports.

The Group has established the Task Force to develop systematic management of ESG issues under the Board's delegations. To facilitate the Board's oversight of ESG matters, the Task Force is composed of an executive director and senior management of the Company with relevant expertise in each ESG aspect. The Task Force is responsible for monitoring and evaluating the Group's ESG performance, keeping track of and reviewing the progress made against the Group's ESG-related targets and ensuring the compliance with ESG-related laws and regulations, which is fundamental for ensuring the sound and sustainable development of the Group. The Task Force also assists in assessing and identifying the Group's ESG risks and opportunities, ensuring the implementation and effectiveness of the risk management and internal control systems. The Task Force works with an independent third party to conduct materiality assessment and prepare ESG reports. The Task Force arranges meetings at least annually to evaluate the effectiveness of current policies and procedures, and formulates appropriate solutions to improve the overall performance of ESG policies. The Task Force should report the findings, decisions and suggestions to the Board at least once per year.

During the Reporting Period, the Group confirms that it has established appropriate and effective management policies and monitoring systems on ESG issues, and confirms that the disclosures meet the requirements of the ESG Reporting Guide.

STAKEHOLDER ENGAGEMENT

We believe that stakeholder engagement is crucial to the sustainable growth of our business, as it improves our understanding of emerging risks and opportunities, and also facilitates the mitigation of these risks as well as the realisation of opportunities. To fully understand, respond to, and address the core concerns of various stakeholders, we have been maintaining close communication with key stakeholders. Using the diversified cooperation methods and communication channels shown in the table below, we bring the expectation of our stakeholders into the Group's operation and ESG strategies.

Stakeholders	Communication channels	Expectations
Investors and shareholders	• Annual general meeting and other shareholder meetings • Corporate website • Financial reports • Announcements and circulars	• Compliant operation • Information transparency • Protection of interests and fair treatment to shareholders • Investment returns
Customers	• Face-to-face meetings • Customer hotline	• Stable relationship • Product quality • Customer services

Stakeholders	Communication channels	Expectations
Suppliers and contractors	• Business meetings, emails and phone calls • Review and assessment	• Fair tendering • Business ethics and reputation • Long-term partnership
Employees	• Trainings, seminars and briefing sessions • Staff performance appraisal interviews • Emails	• Career development opportunities • Health and safety • Remuneration and benefits • Working environment
Regulatory bodies and government authorities	• Written or electronic correspondences • Tele-conferences	• Timely taxation
Community, non-governmental organisations and media	• Association meetings • Community investment • ESG reports	• Contribution to society • Environmental protection • Ethical operation • Social welfare

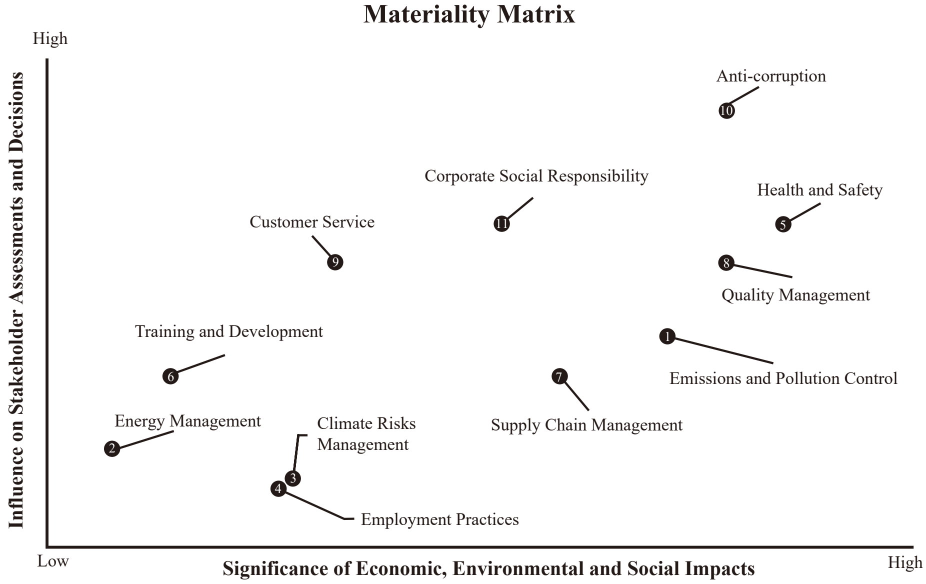
MATERIALITY ASSESSMENT

In hope of understanding the views and expectations of stakeholders on the Group's ESG performance effectively, we adopt a systematic approach in conducting the annual materiality assessment. With reference to the Group's business development strategies and industry practices, the Group identified and determined a list of material ESG issues, which covers five major areas: corporate governance, environmental protection, employment practices, operating practices and community investment. The Group prepared a questionnaire based on the list and invited relevant stakeholder representatives to rate the potential material issues according to the influence of the ESG issues on the stakeholders' assessments and decisions and the significance of their impacts on the economy, environment and society. The results of the survey were analysed to develop the materiality matrix. The materiality matrix and the identified material topics were reviewed and confirmed by the Board and the Task Force and disclosed in the ESG Report. During the Reporting Period, the Group's materiality matrix is shown below:

		Significance of Economic, Environmental and Social Impacts	Influence on Stakeholder Assessments and Decisions
Emissions and Pollution Control	1	5.46	5.23
Energy Management	2	4.69	5.00
Climate Risks Management	3	4.94	4.94
Employment Practices	4	4.92	4.92
Health and Safety	5	5.62	5.46
Training and Development	6	4.77	5.15
Supply Chain Management	7	5.31	5.15
Quality Management	8	5.54	5.38
Customer Service	9	5.00	5.38
Anti-corruption	10	5.54	5.69
Corporate Social Responsibility	11	5.23	5.46
Max		5.62	5.69
Min		4.69	4.92

CHK Oil Limited (0632.HK)

Materiality Matrix



CONTACT US

The Group welcomes opinions and suggestions from stakeholders. You can provide your valuable advice on the ESG Report or the Group's performance on sustainable development via:

Address: Unit 2617-18, 26/F, Mira Place Tower A, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong
Phone: (852) 2522 2898
Email: enquiry@chkoilltd.com

A. ENVIRONMENTAL

Environmental Targets

Environmental protection and sustainable development rely on collective efforts from all industries and society. It is our goal to integrate environmental sustainability into our business operations and continuously control the level of emissions associated with our operations.

The Group has set quantitative and qualitative targets for the environmental aspect in 2021 to better manage the Group's material topics and its sustainability performance. Relevant data and year-on-year comparisons are presented in the subsequent sections. The table below summarises the Group's environmental targets and its progress towards the targets:

Aspects	Environmental targets	Status
Air Emissions	Gradually reducing the intensity of air emissions in the next five years, using 2021 as the baseline year.	In progress
	Replacing all company vehicles with electric vehicles on or before the year ended 31 December 2025 ("2025").	In progress
Greenhouse Gas ("GHG") Emissions	Gradually reducing the intensity of GHG emissions in the next five years, using 2021 as the baseline year.	In progress
Non-hazardous Wastes	Gradually reducing the intensity of total non-hazardous wastes in the next five years, using 2021 as the baseline year.	In progress
Energy Management	Gradually reducing the intensity of total energy consumption in the next five years, using 2021 as the baseline year.	In progress
	Replacing all lighting in its offices with LED lights on or before 2025.	In progress
	From 2022 onwards, participating in Earth Hour to raise its employees' awareness of energy conservation.	Achieved
Water Management	Gradually reducing the intensity of total water consumption in the next five years, using 2021 as the baseline year.	In progress
	From 2022 onwards, participating in environmental protection activities such as World Water Day and posting water-saving slogans at prominent locations in the office to promote water conservation.	Achieved

A1. Emissions

As engaging in the trading, exploration, exploitation and sale of oil and gas related products, it is crucial for us to consider the control of emissions, which is not only driven by the need to protect the environment, but also to fulfil our social responsibility. The Group has established "Energy Saving and Emission Reduction Procedures" to regulate the air emissions, GHG emissions and wastes generated during the operation in order to reduce its environmental footprint and pollution, as well as to mitigate ecological degradation. The Group has formed an energy-saving working group, which is responsible for formulating measures at operational level, and supervising and inspecting its energy and emissions performance. The Group believes that implementing effective emissions control measures enables cost savings for its businesses through the adoption of low-energy, low-consumption, and cost-effective practices.

Besides, the Group has formulated "Pollution Prevention and Waste Management Procedures" to manage its environmental impacts during the stages of oil exploration and development. All parties including contractors who are involved in drilling and oil production operations are required to comply with the Group's guidelines. Relevant emergency preparedness plan and preventive measures should be taken place to avoid any emissions of flammable gases, toxic gases and dust, and prevent any contamination to the water bodies and any pollution to the environment.

The Group keeps track of the latest national and regional environmental protection laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to air and GHG emissions, discharge into water and land, and the generation of hazardous and non-hazardous wastes that would have a significant impact on the Group, including but not limited to the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes" of the PRC, the "Air Pollution Control Ordinance", the "Waste Disposal Ordinance" of Hong Kong, and the "Clean Air Act", the "Clean Water Act", the "National Environmental Policy Act" of the US.

Air Emissions

The Group's air emissions were mainly generated from the petrol consumption by its company vehicles and town gas used in the staff quarter in Hong Kong. To reduce its impact to the environment, the Group actively executes the following emission reduction measures regarding vehicle usage:

- Regularly maintain and repair vehicles to prevent them from generating excess exhaust gas emissions from broken parts and other reasons;
- Phase out unqualified trucks in accordance with the local emission regulations; and
- Subsidise employees who commute to work by public transportation and drive new energy vehicles.

The Group has actively adopted various green commuting options, such as carpooling and taking public transport to reduce its air emissions. During the Reporting Period, due to reduce in vehicles use and the replacement of natural gas heater to electric heater, the intensities[1] of nitrogen oxides ("NO_x "), sulphur oxides ("SO_x ") and particulate matter ("PM") have decreased from 7.12g/million HK$ revenue, 0.06g/million HK$ revenue and 0.56g/million HK$ revenue in 2023 to 2.09g/million HK$ revenue, 0.02g/million HK$ revenue and 0.13g/million HK$ revenue in 2024 respectively. The summary of the Group's air emissions performance is as follows:

Indicator[2]	**Unit**	**2024**	2023
NO_x	kg	**0.32**	1.15
SO_x	kg	**0.003**	0.01
PM	kg	**0.02**	0.09

Notes:

1. During the Reporting Period, the Group's revenue was approximately HK$153,126,000 (2023: approximately HK$161,497,000). The data is also used for calculating other intensity data. The intensities of the Group's air emissions have been supplemented to monitor the Group's progress towards relevant targets.

2. The calculation method of air emissions is based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

GHG Emissions

The major sources of GHG emissions of the Group were:

- Direct GHG emissions (Scope 1) generated from petrol consumption for vehicles and town gas used in the staff quarter in Hong Kong ;
- Energy indirect GHG emissions (Scope 2) generated from purchased electricity and town gas; and
- Other indirect GHG emissions (Scope 3) generated from paper waste disposed at landfills and employees' business travel.

With respect to the emission sources mentioned above, we actively adopted the following GHG emissions reduction measures:

- Actively adopt emission reduction measures on vehicles, which are described in the section headed "Air Emissions" in this Aspect;
- Actively adopt environmental protection and energy-saving measures, which are described in the section headed "Energy Management" in Aspect A2;
- Actively adopt paper-saving measures, which are described in the section headed "Waste Management" in this Aspect;
- Encourage staff to use e-communication channels, such as video conference for business meetings whenever possible; and
- Encourage staff to reduce unnecessary overseas business trip.

The Group switched its source of heating for its PRC offices from natural gas consumption to the municipal heating network. As the heating is controlled by the property management company throughout the year, the Group is unable to obtain the amount of purchased heat consumption. In addition, the Group has actively implemented green commuting measures to reduce petrol consumption. During the Reporting Period, due to increase in business travel, use of electricity in the Utah Gas and Oil Field Project and use of town gas in staff quarter in Hong Kong, there is an increase in total GHG emissions in 2024, the intensity has also increased as compared to 2023. The summary of the Group's GHG emissions performance is as follows:

Indicator[3]	**Unit**	**2024**	2023
Scope 1 – Direct GHG emissions	tonnes of carbon dioxide equivalent ("tCO_2e")	**0.84**	2.33
– Natural gas	tCO_2e	–	0.04
– Petrol	tCO_2e	**0.42**	2.26
– Town gas	tCO_2e	**0.42**	0.03
Scope 2 – Energy indirect GHG emissions	tCO_2e	**25.22**	16.48
– Purchased electricity	tCO_2e	**25.13**	16.47
– Town gas	tCO_2e	**0.09**	0.01
Scope 3 – Other indirect GHG emissions	tCO_2e	**12.03**	7.78
– Employees' business travel	tCO_2e	**11.42**	7.20
– Paper waste disposed at landfills	tCO_2e	**0.61**	0.58
Total GHG emissions	tCO_2e	**38.09**	26.59
Total GHG emissions intensity	tCO_2e/million HK$ revenue	**0.25**	0.16

Note:

3. GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "IPCC Sixth Assessment Report, 2021 (AR6)", "2006 IPCC Guidelines for National Greenhouse Gas Inventories", "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "2023 National Power Carbon Footprint Factor" jointly released by the Ministry of Ecology and Environment of the People's Republic of China, the National Bureau of Statistics, and the National Energy Administration, "2023 Sustainability Report" released by CLP Power Hong Kong Limited, "Environmental, Social and Governance Report 2023" released by The Hong Kong and China Gas Company Limited and the emissions and generation resource database of the US in 2023 released by the US Environmental Protection Agency.

Sewage Discharge

The office operations of the Group does not generate any industrial wastewater in the course of operation, but only domestic sewage. Since the wastewater produced is discharged into the sewage treatment plant through the sewage pipeline network for processing, the amount of water consumption of the Group represents the wastewater discharge volume. Information related to water consumption is described in the section headed "Water Management" in Aspect A2.

Waste Management

The Group adheres to the principles of waste management and is dedicated to the reasonable management and disposal of wastes generated from its business activities. The Group maintains a high standard in reducing wastes, educates employees the importance of sustainable development and provides them with relevant supports to improve their skills and knowledge in sustainable development.

Hazardous wastes

As the Group is principally engaged in the trading business, the Group does not generate significant amount of hazardous wastes during its daily operation. Nevertheless, we are devoted to waste reduction. If any hazardous waste is generated, the Group must appoint a qualified waste collector to handle such waste to comply with relevant environmental laws and regulations.

Non-hazardous wastes

The major non-hazardous wastes generated during our operation are paper waste. We have implemented the following measures to achieve the target:

- Encourage employees to maximise the usage of electronic copies instead of hardcopies;
- Set duplex printing as default setting in printers for printing internal documents;
- Reuse office stationaries, such as envelopes and folders; and
- Recycle paper, plastic bottle and tin can.

As a result of the decreased paper consumption due to the Group's commitment to green and sustainable practices, including promoting remote work whenever possible and strict control over paper usage, the Group's total non-hazardous wastes produced in 2024 decreased as compared to 2023. In addition, as the property management company assisting in the handling of general waste, the Company is unable to obtain the detailed data for general waste. The non-hazardous wastes intensity has also decreased as compared to 2023. The summary of the Group's non-hazardous waste performance is as follows:

Indicator	**Unit**	**2024**	2023
Total non-hazardous wastes produced	tonnes	**0.13**	0.19
– Paper waste	tonnes	**0.13**	0.12
– General waste	tonnes	–	0.07
Total non-hazardous waste intensity	kg/million HK$ revenue	**0.85**	1.18

A2. Use of Resources

The Group upholds and promotes the principle of efficient use of resources. It has established the aforementioned environmental policies and procedures to optimise the use of energy across business operations and thus to reduce corresponding GHG emissions.

Energy Management

The major sources of energy consumption by the Group are:

- Direct energy consumption, which includes petrol use for vehicles, town gas used in the staff quarter in Hong Kong ; and
- Indirect energy consumption, which includes purchased electricity for its office operations.

Aside from measures for vehicles described in the section headed "Air Emissions" under Aspect A1, the Group also actively promotes a green office culture and adopts electricity-saving measures to control its electricity consumption. Relevant measures are listed below:

- Participate in Earth Hour to raise its employees' awareness of energy conservation;
- Replace all lighting in its offices with LED lights on or before 2025, and the Group has partially completed this target;
- Turn off electrical appliances or switch them to standby mode when they are not in use;
- Switch off all unnecessary lighting, air-conditioning, and electrical appliances upon leaving the office;
- Optimise the temperature of air-conditioning to create a comfortable working environment for its employees as well as to limit energy loss;
- Prioritise electrical appliances with high energy efficiency ratings when purchasing office equipment; and
- Post notices or reminders at prominent locations in the offices to remind its employees to conserve energy.

The Group switched its source of heating for its PRC offices from natural gas consumption to the municipal heating network. As the heating is controlled by the property management company throughout the year, the Group is unable to obtain the amount of purchased heat consumption. In addition, the Group has actively implemented green commuting measures to reduce petrol consumption. During the Reporting Period, due to the increase in town gas used in the staff quarter in Hong Kong and increased electricity consumption for office operations, there is an increase in total energy consumption in 2024, the total energy consumption intensity has increased as compared to 2023. The summary of the Group's energy consumption performance is as follows:

Indicator	**Unit**	**2024**	2023
Direct energy consumption[4]	kWh	**3,731.23**	8,318.50
– Natural gas	kWh	–	209.18
– Petrol	kWh	**1,531.23**	7,975.99
– LPG	kWh	–	–
– Diesel	kWh	–	–
– Town gas	kWh	**2,200.00**	133.33
Indirect energy consumption	kWh	**41,732.00**	31,461.00
– Purchased electricity	kWh	**41,732.00**	31,461.00
Total energy consumption	kWh	**45,463.23**	39,779.50
Total energy consumption intensity	kWh/thousand HK$ revenue	**0.30**	0.25

Note:

4. The unit conversion method of direct energy consumption data is based on the "Energy Statistics Manual" issued by the International Energy Agency.

Water Management

The Group's water consumption is mainly for domestic use in the office area. Due to the geographical location of the Group's operations, the Group does not have any issues in sourcing water that is fit for purpose. To reduce water use, the Group has also actively adopted the following measures:

- Participate in environmental protection activities such as World Water Day and posting water-saving slogans at prominent locations in the office to promote water conservation;

- Remind employees to turn off water taps after use to avoid unnecessary flushing;

- Strengthen daily maintenance of water pipes and inspect regularly to prevent leakage; and

- Encourage employees to report any leakages as soon as possible.

During the Reporting Period, the Group's total water consumption has decreased as compared to 2023 due to enhanced measures in reducing water use in 2024, the total water consumption intensity has decreased as compared to 2023. The summary of the Group's water consumption performance is as follows:

Indicator	**Unit**	**2024**	2023
Total water consumption	m^3	**657.91**	752.00
Total water consumption intensity	m^3/million HK$ revenue	**4.30**	4.66

Use of Packaging Materials

Due to the nature of the Group's business, no packaging materials are used in our business operations.

A3. The Environment and Natural Resources

The Group believes that corporate development should not come at the expense of the environment and natural resources, therefore, the Group recognises the responsibility in minimising the negative environmental impacts of its business operations as an ongoing commitment to good corporate citizenship. The Group remains conscious of its potential impact and has established aforementioned environmental policies and procedures to regularly assess the environmental risks of its business model, adopt preventive measures to reduce risks, and ensure compliance with relevant laws and regulations.

Green Working Environment

The Group considers that providing a pleasant and safe working environment to its employees is of paramount importance. Air quality is therefore regularly monitored and measured. In offices, air purifying equipment is placed, and the ventilation system is cleaned periodically. At well sites in the oil field, preventive and monitoring measures will be performed to regulate air emissions.

In addition to air quality, noise is regularly monitored and measured at the operation sites. The Group has formulated relevant guidelines for all parties involved in drilling operations to ensure that workers and the surrounding neighbourhood will not be disturbed. Such measures include:

- Equip the operation engines with soundproof enclosure or muffling devices;
- Install acoustic barriers and install equipment and pipeline underground;
- Arrange office or staff dormitory in the upwind direction of the prevailing wind;
- Inspect and maintain all equipment before use to ensure the compliance of permitted noise level; and
- Only undertake drilling operation during permitted hours and days.

A4. Climate Change

Climate change is one of the most crucial issues of the past decade. In response to the community's gradual concern on climate change and related issues, the Group has implemented the "Climate Change and Environmental Protection Policy", which outlines the Group's management approach on climate-related issues and commitment to climate mitigation, adaptation and resilience across its operations and along the value chain.

With reference to the recommendations of the Task Force on Climate-related Financial Disclosures framework, the Group has identified and assessed the potential climate risks in its operations, thereby facilitating the formulation of its climate risk mitigation measures. Through the above method, the Group identified the material impacts on the Group's business arising from the following risks:

Physical Risks

The increasing frequency and severity of extreme weather events such as extreme cold, extreme heat, rainstorms and typhoons, could lead to an increased risk of power shortages, interrupt the supply chain and damage the Group's operation facilities, therefore interrupting the field operation and slowing down the project progress. These events may lead to reduced revenue, as well as an increase in the costs of repairing or restoring damaged sites. These events could also disrupt the work of employees and even cause casualties. Furthermore, the rising global average temperature may increase the office refrigeration and equipment cooling demand, which would increase the operating costs of the Group.

Considering the abovementioned risks, the Group retains close attention and continuously follows up on the maintenance and repairment works of the field to make sure its resilience to extreme weather. In addition, the Group regularly organises emergency drills and strictly complies with the emergency plan initiated by the local government. The Group closely monitors the latest weather news and suggestions issued by the local government and has established special work arrangements to ensure that all personnel are well-prepared for extreme weather events. We are also actively implementing management policies and conservation measures on the use of resources in our operations and improving the efficiency of our office facilities to reduce operating costs.

Transition Risks

As part of its efforts to achieve sustainable development, the PRC government has focused on energy transition to meet its 30–60 goals. Due to the reorientation of the country's energy strategy and new demand for low-carbon energy products, oil companies will be facing an uncertain future and will have to explore ways to expand their core business beyond products related to oil. The Group may also be exposed to risks of claims and lawsuits if it fails to meet the climate change compliance requirements.

In respond to climate change, the Group will regularly monitor existing and emerging climate-related trends, policies and regulations to avoid reputational risks due to delayed response. In addition, the Group is striving to decarbonise its operations through various low-carbon strategies and will consider possible investments in renewable and lower-carbon alternatives, with the aim to transform itself into an integrated energy enterprise. In order to enhance the Group's resilience to climate-related risks, the Group will continue to assess the effectiveness of its actions to incorporate climate change into its short-, mid- and long-term development plans.

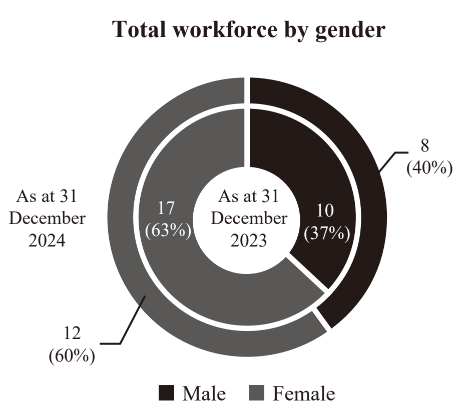
B. SOCIAL

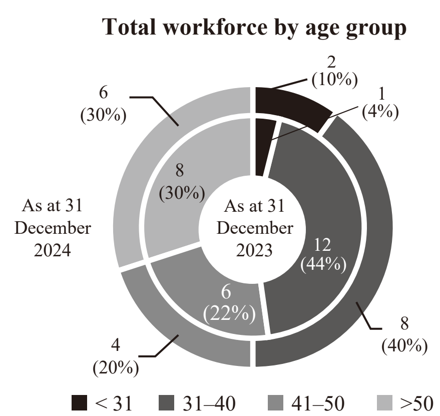
B1. Employment

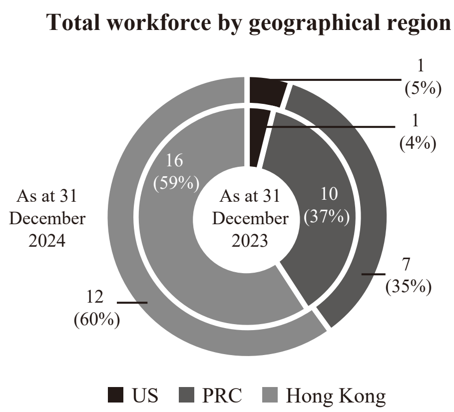
When pursuing economic goals, we also bear social responsibilities in order to achieve sustainable development together with the local community. The Group places considerable emphasis on staff management and has developed a set of human resources management procedures in the "Employee Handbook" for each subsidiary, striving to create a favourable working environment for its employees and reduce labour and employment risks for the Group.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that would have a significant impact on the Group, including but not limited to the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" of the PRC, the "Employment Ordinance" of Hong Kong, and the "Fair Labor Standards Act" of the US.

As at 31 December 2024, the Group had a total of 20 full-time employees (As at 31 December 2023: 27 full-time employees) within the reporting scope and the composition is shown below:







Recruitment, Promotion, Remuneration and Dismissal

We uphold the principles of fairness, impartiality and openness in recruiting talents to provide sufficient talent reserves for the Group's businesses and strengthen our competitiveness. Job applicants are assessed based on their suitability for the positions and potential to fulfil the Group's current and future needs, regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

We offer competitive remuneration packages and promotion opportunities for outperforming employees to explore employees' capabilities. In accordance with labour laws and regulations, the remuneration packages of our employees are clearly laid down in the "Employee Handbook" and in respective employment contracts of each employee. Through an open and fair performance review system, the Group determines employees' salaries, benefits and promotion opportunities based upon their job nature, experience, work performance, and with reference to the Group's financial performance and prevailing market conditions.

Apart from basic salary, the Group's employees are entitled to benefits and rights, which include but are not limited to Mandatory Provident Fund, statutory holidays and various types of paid leaves, where applicable, including annual leave, sick leave, maternity leave, parental leave, marital leave and bereavement leave. For employees in the PRC, the Group pays "Five Social Insurance and One Housing Fund" in accordance with the law, including endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund to protect employees' social insurance entitlements.

Besides, the Group does not tolerate the dismissal of employees on any unreasonable basis. Any termination of the employment contract would be based on reasonable and lawful grounds supported by internal policies of the Group.

There is an increase in employee turnover rate as compared to 2023. The employee turnover rate of the Group and its composition is as follows:

Employee turnover rate[5]	**2024**	2023
Total	**34%**	8%
By gender		
Male	**22%**	18%
Female	**41%**	–
By age group		
< 31	**67%**	–
31–40	**30%**	–
41–50	**20%**	–
> 50	**43%**	24%
By geographical location		
US	**–**	–
PRC	**35%**	–
Hong Kong	**36%**	13%

Note:

5. Turnover rate = the number of departures during the reporting year ÷ [(number of employees at the beginning of the reporting year + number of employees at the end of the reporting year) ÷ 2] × 100%.

Equal Opportunity, Diversity and Anti-discrimination

The Group does not tolerate any form of discrimination within its operations, including but not limited to gender, disability, pregnancy, family status, race, religion, age, sexual orientation and other conditions as recognised by relevant anti-discriminatory regulations. All of our staff members enjoy equal opportunities for recruitment, work, training, remuneration and promotion. Not only do our efforts against discrimination help develop the professionalism and professional ethics among employees, but they also create a more friendly working environment of the Group, a more harmonious and peaceful social atmosphere, thus fulfilling social responsibility.

Team-building Activities

The Group is highly aware of the importance of teamwork in a corporate environment. Where opportunities arise, the Group organises team-building events and staff gatherings to enhance the level of interaction amongst its staff members. Team events set outside the regular working environment provides our staff with an opportunity to have an enjoyable time in a relaxing environment.

B2. Health and Safety

The Group attaches great importance to the health and safety of its employees. It has established "Health, Safety and Environment Management Approach" for each subsidiary in an effort to create a safe working environment for employees and to avoid any occupational hazards.

In the past three years (including the Reporting Period), there were zero incidents of work-related fatalities. During the Reporting Period, there were no lost days due to work injury (2023: zero lost days). The Group was not aware of any material non-compliance with laws and regulations relating to health and safety that would have a significant impact on the Group, including but not limited to the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", the "Fire Control Law of the People's Republic of China" of the PRC, the "Occupational Safety and Health Ordinance" of Hong Kong, and the "Occupational Health and Safety Act" of the US.

Occupational Health and Safety

Since oil mining is a high-risk activity, the Group has distributed safety instructions and training guidelines provided by the authorities to all parties involved in the exploitation. To ensure safety, the operations of storage and transportation facilities, public works facilities and other auxiliary facilities should be strictly in accordance with national, industrial and corporate standards to prevent any material leakage and accidents that could result in occupational hazards.

To prevent occupational hazards in our office operations, we display warning signs on facilities and machines which are potentially hazardous or prone to accidents. We perform regular inspections in our offices to ensure that a safe working environment is provided to our employees. Our offices are equipped with first-aid kits for providing basic treatment in case of minor office injuries.

The Group complies with related working safety guidelines and constantly educates and reminds employees on the importance of occupational health and safety. The Group provides employees with relevant information on the emergency response through training, promotions, drills and regular safety inspections. We also participate in regular fire drills to raise employees' safety and fire prevention awareness.

B3. Development and Training

The Group attaches great importance to the working performance and development of employees during their employment periods. Training is also believed to be capable of improving personnel quality, enhancing team capabilities, and boosting the prospects for enterprise development. In order to stimulate the potential of our employees and enhance their operational skills, we are committed to providing a diversified training development framework for the needs of different staff members working at different positions. Details on its training management procedures have been clearly stated in the Group's "Employee Handbook".

Provision of Training Opportunities

The Group provides a wide variety of training for its employees to equip themselves with work-related skills. New joiners will receive orientation training covering corporate culture, regulations and system, safety training, environmental health and safety training, job skills and work procedures. The Group evaluates and monitors its training programmes to ensure effective and quality execution.

Apart from internal training, the Group also highly encourages the directors and employees to attend industry conferences, seminars and workshops to enrich professional knowledge and to keep up with the latest development in the industry.

During the Reporting Period, the Group actively conducted training related to ESG and anti-corruption, there is a decrease in the percentage of employees trained as compared to 2023 that 85% of the employees attended the relevant training during 2024. The employee training performance by gender and employee category is as follows:

	Percentage of employees trained[6]		**Breakdown of employees trained**[7]		**Average training hours**[8]	
	2024	2023	**2024**	2023	**2024**	2023
Total	**85%**	100%	**N/A**	N/A	**4.62**	5.52
By gender						
Male	**88%**	100%	**41%**	37%	**3.14**	2.80
Female	**83%**	100%	**59%**	63%	**5.61**	7.12
By employee category						
Senior Management	**92%**	100%	**70%**	63%	**6.24**	7.35
Middle Management	**100%**	100%	**24%**	15%	**2.55**	2.50
General Staff	**33%**	100%	**6%**	22%	**0.37**	2.33

Notes:

6. Percentage of employees trained = (number of employees trained in the category during the reporting year ÷ number of employees in the category at the end of the reporting year) × 100%.

7. Breakdown of employees trained = (number of employees trained in the category during the reporting year ÷ total number of employees trained during the reporting year) × 100%.

8. Average training hours = number of training hours of employees in the category during the reporting year ÷ number of employees in the category at the end of the reporting year.

B4. Labour Standards

The Group strictly prohibits human rights abuses and has formulated the "Corporate Social Responsibility Policy" to ensure that all work that is performed on its behalf is in compliance with all relevant labour laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of forced labour and child labour that would have a significant impact on the Group, including but not limited to the "Regulation on Labour Security Supervision", the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" of the PRC, the "Employment Ordinance" of Hong Kong, and the "Fair Labor Standards Act" of the US.

Prevention of Child and Forced Labour

To avoid illegal employment of child labour, applicants are required to submit copies of their identification documents for verification of their age and identity during the recruitment process. Personal data and credentials of job applicants are kept in a secure data system for human resource purposes, which is only accessible to authorised personnel.

To avoid any violation of the labour standards and protect employees' legal rights and interests, the Group's employees work overtime on a voluntary basis. Terms of leave entitlement, working hours, rest, labour protection and termination of employment are clearly laid out in the "Employee Handbook" and respective employment contracts of each employee.

The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any noncompliance is being discovered. If necessary, the Group will further improve the labour mechanism against illegal behaviours.

B5. Supply Chain Management

The Group believes that effective supply chain management can serve to lower costs, improve quality and mitigate social or environmental risks that an organisation may face, as well as to improve customer service and foster the growth and expansion of its business. It is also a vital component in the production and development of enterprises, encompassing comprehensive elements such as quality management, safety management, economic management, financial evaluation, market analysis, and operational management.

To manage potential environmental and social risks in its supply chain, the Group has established the "Suppliers Management Requirements" to assign relevant personnel to manage its supplier selection process. In respect of supply management of our operation of gas and oil field, our main suppliers include service providers for on-site support.

The Group had 5 suppliers in 2024 (As at 31 December 2023: 5 suppliers), including 2 suppliers in the PRC and 3 suppliers in the US.

Procurement Mechanism

We promote fair and open competition and aim to develop long-term relationships based on mutual trust. In view of the complexity of the supply chain, during the supplier selection process by our operating units, criteria including price, quality of service, location, productivity (service capacity) and legal procedures must be taken into account. In addition, the Group also pays attention to the corporate responsibility performance of suppliers, including but not limited to their social responsibility and environmental protection efforts. The Group is concerned about the integrity of suppliers and partners, it will only select those with a good business track record without any material non-compliance or unethical behaviours.

The Group has formulated "Anti-fraud and Anti-corruption Policy" and "Conflict of Interest Policy" to monitor the procurement activities and strictly prohibit any practices that are against business ethics. We closely communicate with our subsidiaries and require them to carefully manage the relationship with suppliers and business partners in avoidance of transfer of interests or exploitation of suppliers. During the Reporting Period, the Group has implemented the above practices relating to the engagement of all suppliers.

Sustainable Supply Chain

The Group expects suppliers to meet its standards in terms of environment, society, corporate governance, business ethics, etc. The Group will evaluate the environmental and social risks of suppliers' operation and business regularly to ensure suppliers' compliance with relevant environmental and social regulations, as well as other requirements, and to examine the suppliers' awareness in each of these areas.

As stated in Aspect A1, we have formulated several environmental policies to involve suppliers in the implementation of our environmental objectives. In order to minimise the adverse effect of pollution and waste on the surrounding environment, and to ensure the health and safety of the operations, the Group's suppliers must follow the preventive measures specified in the policies. The Group regularly visits the sites to inspect the quality, environment, health and safety conditions.

Furthermore, we promote environmentally responsible purchasing through the adoption of sustainable and responsible selection criteria whenever applicable. The Group will continue to review its supply chain periodically with regard to the suppliers' performance and environmental and social standards. Any material violation of laws and regulations may lead to the termination of supplier contracts. The Group will also regularly monitor the effectiveness of the above supply chain management mechanism.

B6. Product Responsibility

The Group is committed to providing quality products and services to its customers. The Group has formulated a set of stringent policies and procedures for its production and sales activities. As high-quality products and services can help build a strong corporate reputation, we are dedicated to maintaining high-level service and product quality through internal control. We maintain ongoing communication with our customers to ensure that we understand and meet their demands and expectations, as well as their level of satisfaction to improve our service quality.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning product health and safety, advertising, labelling, and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group, including but not limited to the “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests”, the “Advertising Law of the People’s Republic of China”, the “Interim Measures for the Administration of Internet Advertising”, the “Product Quality Law of the People’s Republic of China” of the PRC, the “Trade Descriptions Ordinance” of Hong Kong, and the “US Consumer Protection Safety Act” of the US.

As the Group is principally engaged in the trading business, no recalls of the Group’s products due to health and safety reasons are required.

Quality Assurance

The Group strives to provide its customers with competitive products and services with standardised service quality, humanised service process and regulated service management. We stress the importance of understanding clients’ needs and regard them as the foundation for the continuous improvement of our business. Customers can submit their opinions or complaints via email, phone or in person. The process is confidential to protect all parties’ interests and ensure fairness and proper documentation of the process.

The complaint handling procedures have been established by the Group to allow relevant departments to carry out a detailed investigation, actively monitor the handling process, coordinate and communicate with all involved parties, and properly respond to complaints. We strive to understand the truth and root causes of complaints made by our customers and identify responsible parties and improvement areas in order to enhance the Group’s service quality, retain customers by earning their loyalty towards the Group’s service, and facilitate the Group’s future development. During the Reporting Period, there were zero material complaints about products and services (2023: zero material complaints). Customer satisfaction has reached our expected level.

Customer Privacy Protection

The Group attaches high importance to safeguarding clients’ interests and privacy and strives to maintain and protect personal data. All personal data collected from customers are kept confidential, and our computers and servers are protected by access passwords to prevent unauthorised access. As stipulated in the Group’s Code of Conduct in the “Employee Handbook”, employees are instructed to ensure that data is collected, used, maintained, managed, stored and handled properly and secured appropriately. The Group will conduct regular inspection on the information system to monitor the execution of the said policy.

Intellectual Property Rights

Despite intellectual property rights are not considered as a material ESG aspect to the Group due to the Group's business nature, the Group has established relevant policies in the "Employee Handbook" to govern the information technology management within the Group. Employees are not allowed to download software or use any information that would infringe copyright. Furthermore, the Group closely monitors and prevents any infringement behaviour such as counterfeit trademarks in the market. The Group will continue to monitor such behaviour to ensure that its intellectual property rights are not being infringed upon.

Advertising and Labelling

Due to the Group's business nature, the Group conducts limited advertising campaigns and therefore does not involve any significant advertising-related risks. Nevertheless, in terms of the advertisement of products and services, we strictly regulate and monitor products and services promotion to ensure the compliance with advertising and labelling related laws and regulations. Such marketing and promotion must accurately reflect the quality and performance of the Group's products and services in order to let clients "get what they see".

B7. Anti-corruption

The Group adheres to "Anti-fraud and Anti-corruption Policy" that describes the integrity of business practices, ethical standard, conflicts of interest, breach of conduct, handling of confidential information and legal requirement on prevention of bribery and against corruption. The Group has adopted best practices with respect to whistle-blowing and anti-corruption, and formulated its anti-corruption strategy based on Anti-Corruption Programme – A Guide for Listed Companies published by Independent Commission Against Corruption.

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees (2023: zero cases). The Group was also not aware of any material non-compliance with laws and regulations concerning bribery, extortion, fraud, and money laundering that would have a significant impact on the Group, including but not limited to the "Company Law of the People's Republic of China", the "Bidding Law of the People's Republic of China" of the PRC, the "Prevention of Bribery Ordinance" of Hong Kong, and the "Foreign Corrupt Practices Act" of the US.

The Group arranges anti-corruption training and spread learning materials at least annually. During the Reporting Period, the directors and employees of the Group have received approximately 2.2 and 3.3 hours of anti-corruption training respectively (2023: approximately 1.5 and 4 hours respectively). Such training familiarises the Board and employees at various levels with their corresponding roles and responsibilities in anti-corruption and business ethics, and helps cultivate employees' awareness towards anti-corruption and a high standard of professional conduct to comply with the laws in the operating locations of the Group.

Whistle-blowing Mechanism

The Group strives to maintain a high level of ethical corporate culture and has established the "Whistleblowing Management Requirements". Employees are encouraged to report occurrences of suspicious activities. Investigations will be performed on the suspicious activities, and if required, a detailed investigation will be performed and a formal investigation report will be issued to the management for review. Regardless of whether the reported cases are found to require further investigation, all reported cases are confidential and are kept on record. The Group will regularly evaluate the effectiveness of the mechanism to monitor the execution of the said policy.

B8. Community Investment

The Group is devoted to becoming a responsible corporate citizen and offering appropriate resources to the needy in the community. To fulfil corporate social responsibility, the Group has formulated the "Social Welfare Policy" on community engagement which states its selection criteria of the suitable donation partners. Meanwhile, we also encourage our staff to donate to the recognised charitable institutions in order to help the grass-roots communities or those in need.

Corporate Social Responsibility

The Group actively looks for the opportunities and focuses on supporting its local communities, engaging in activities such as cleaning up weeds from properties, assisting elderly individuals and donation. Such activities help raise the environmental awareness of our employees, at the same time providing opportunities for team building and work-life balance. During the Reporting Period, the Group's employees have participated in community welfare activities, including beautifying the environment by assisting with the removal of weeds on properties, as well as providing support to elderly individuals in maintaining cleanliness and hygiene. The Group will continue to embolden and support the public by various means of social participation and contribution as part of its strategic development.

CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	ESG GOVERNANCE STRUCTURE
Reporting Principles	ABOUT THE ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT – Reporting Framework
Reporting Boundary	ABOUT THE ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT – Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management (Not applicable – explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Targets; Emissions – Air Emissions, GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Targets; Emissions – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Targets; Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials (Not applicable – explained)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Green Working Environment
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risks, Transition Risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment – Recruitment, Promotion, Remuneration and Dismissal

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Provision of Training Opportunities
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Provision of Training Opportunities

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Procurement Mechanism
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Sustainable Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Sustainable Supply Chain

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (Not applicable – explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Privacy Protection

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle- blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistle-blowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment – Corporate Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment – Corporate Social Responsibility

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and senior management of the Company are committed to promoting high standards of corporate governance practices and procedures to ensure that sound and appropriate corporate governance practices are in place to grow the Group and safeguard the interests of shareholders and the Group's assets. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Listing Rules as its own code of corporate governance. During the year ended 31 December 2024, to the best of the knowledge of the Board, the Company was in compliance with the relevant code provisions set out in the CG Code, except for the deviations explained below.

Code provision	Reasons for the non-compliance and improvement action took or to be taken
C.1.6	Under the code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend shareholders' meetings to gain and develop a balanced understanding of the views of shareholders. Ms. Chen Junyan, a then non-executive Director was unable to attend the annual general meeting of the Company held on 7 June 2024 due to other important engagement.
C.2.1	Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Yu Jiyuan as an executive Director and ceased to be the Chairman and Chief Executive Officer of the Company ("CEO") with effect from 4 October 2024, Mr. Yu Zhibo was redesignated as the Chairman and Mr. Jin Ailong was appointed as the CEO with effect from 4 October 2024. The Company has complied with, and there is no deviation from, code provision C.2.1 of the CG Code.
D.1.2	The Company has not provided all members of the Board with monthly updates to enable the Board as a whole and each Director to discharge their duties. However, the Company has provided updated business information based on the business situation to enable the Board as a whole and each Director to discharge their duties. The Company considers that such business information arising from the ordinary course of business provided to the Board from time to time in lieu of monthly updates is sufficient to enable the Board to discharge its duties. In the event that there are any significant updates to be provided, the Company will inform all the Directors as early as practicable for discussion and resolution. Every Director could make enquiries with the Company about the business operation of the Group and give suggestions or feedback freely.

CORPORATE CULTURE AND STRATEGY

By recognising the importance of stakeholders at the Board level and ensuring sustainable growth and continuous development, the Board of the Company has set out the following corporate values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

Integrity

The Group has established policy and measures that promote and support anti-corruption laws and regulations; and adopted whistleblowing policy and measures for employees, suppliers and business partners to raise concerns or complaints in confidence and anonymity. The Group has also provided several anti-corruption trainings to employees in different locations to enhance their understanding of the corporate culture and relevant laws and regulations.

Sustainability

The Group believes that corporate development should not come at the expense of the environment and natural resources or health of employee, several guidelines and policies were established to ensure the relevant goal to be achieved, details of which are set out in the "Environmental, Social and Governance Report".

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

Open-minded culture

The Company has embraced an open-minded corporate culture, where diversity of thought and inclusivity are valued. The leadership is receptive to feedback and actively seeks input from all employees, encouraging new ideas and approaches to problem-solving. Collaboration is at the heart of the culture. The Company recognises the importance of working together to achieve its goals. By embracing an open-minded corporate culture, the Group has created an environment where employees feel empowered to contribute their unique perspectives and talents, resulting in improved efficiency for the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by its Directors. Having made specific enquiries with all Directors, the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board currently comprises nine members including, Mr. Yu Zhibo, Mr. Jin Ailong, Ms. Yang Yuyan and Ms. Sun Xiaoze as executive Directors; Mr. Lin Qing Yu and Mr. Zheng Ye as non-executive Directors; Ms. Zhong Bifeng, Ms. Huang Qingwei and Mr. Shen Shigang as independent non-executive Directors. Details of their respective experiences and qualifications are included in the "Profiles of Directors" section of this report.

Following the resignation of Ms. Lam Shuk Yi Mariana as an independent non-executive Director with effect from 3 September 2024 and prior to the resignation of Ms. Chen Junyan as a non-executive Director with effect from 2 December 2024, the Company was not in compliance with Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive directors shall represent at least one-third of the Board. Starting on 2 December 2024. After the resignation of Ms. Chen Junyan as a non-executive Director becoming effective, the Board comprises nine members including four executive Directors, two non-executive Directors and three independent non-executive Directors. Accordingly, the Company is in compliance with the requirement under 3.10A of the Listing Rules.

The Company has complied with the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors are independent.

The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. The Board is responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders' value, and for the direction and the overall development of the Group. The Board focuses on determining the business strategies, approving the development and investment plan and annual budget of the Group; approving the annual financial statements of the Group; supervising the effectiveness of the internal control system and risk management system of the Group; and monitoring the financial and operating performances of the Group.

Daily operational decisions are delegated to the executive Directors and senior management of the Company. The executive Directors and the senior management are responsible for the day-to-day management, administration and operation and the implementation of policies of the Group. The management should report to the Board before any significant decisions and commitments are to be made and approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Company has set out the respective functions and responsibilities reserved for the Board and those delegated to management. In addition, the Board may from time to time delegate certain functions and powers to senior management in order to facilitate the implementation of any business development plans, strategies, measures or policies adopted by the Board and the senior management shall on a regular basis reports the progresses to the Board. The delegated functions are periodically reviewed by the Board to ensure that these are appropriate and effective.

Directors' Term of Appointment and Re-election

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with Bye-law 86(2) of the Bye-Laws of the Company (the "Bye-Laws"), any Director so appointed by the Board to fill a casual vacancy on the Board shall hold office only until the next first general meeting of the Company after his appointment and shall then be eligible for re-election at that general meeting. Any Director so appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that annual general meeting. Any Director appointed under this Bye-law shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting. Further, in accordance with Bye-law 87(1) of the Bye-Laws, one-third of the Directors for the time being will retire as Directors by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election as Directors, provided that Directors appointed pursuant to Bye-law 86(2) shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the CG Code.

All non-executive Directors and independent non-executive Directors have been appointed for a fixed term. Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for an initial term of one year and shall be renewed annually thereafter unless and until terminated by either party by giving one month's written notice. Pursuant to service contract between the Company and the non-executive Director, the non-executive Director has been appointed for an initial term of one year and shall be renewed annually thereafter unless and until terminated by either party by giving one month's written notice.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Yu Jiyuan as an executive Director, Chairman and CEO of the Company on 4 October 2024, the positions of the Chairman and the CEO have been clearly separated and are held by Mr. Yu Zhibo and Mr. Jin Ailong, respectively to provide a balance of power and authority. The Chairman is primarily responsible for the strategic planning of the Group and the management of the operations of the Board. The CEO is primarily responsible for the operations and business development of the Group.

Directors' Continuous Professional Development

Every newly appointed Director will receive an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company provided regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors and encouraged Directors to participate in continuous professional developments.

All the Directors have participated in continuous professional development by attending webinars and/or seminars, reading articles, training materials and updates organized and provided by the Company, they also provided a record of training they received for the year ended 31 December 2024 to the Company.

Board Meetings and General Meeting

During the year ended 31 December 2024, the Board held eleven (11) meetings. The Board also passed resolutions by way of written resolutions. The attendance of the Directors to these Board meetings is set out in the section below headed "Attendance at Board Meetings and General Meetings".

The company secretary of the Company assists the chairman of the meeting in preparing the agenda and ensures that all applicable rules and regulations are followed. The company secretary of the Company also keeps detailed minutes of each meeting, which are available to all the Directors for inspection. Draft of Board minutes are circulated to all Directors for their comments and approval as soon as practicable after the Board meetings. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the company secretary of the Company, who is responsible for providing the Directors with Board papers and related materials and ensuring that Board procedures are followed.

During the Year, the Company held one (1) general meeting. The attendance of the Directors to the general meeting is set out in the below section headed "Attendance at Board Meetings and General Meetings".

BOARD DIVERSITY POLICY

The board diversity policy of the Company (the "Board Diversity Policy") as adopted by the Board aims to achieve diversity in the Board in order to have a balance of skills, experience and diversity of perspectives in accordance with the business nature of the Group. The Company endorses and recognises the benefits of having a diversified Board. A summary of the Board Diversity Policy is set out below:

- the Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance;
- the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development;
- the Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board;
- in order to enhance the independence and diversity of the Board, the Company should not have directors of a single gender, but should appoint at least one director of the other gender; and
- gender diversity in the pipeline of potential director successors should be ensured when developing or reviewing Board succession plans.

The current Board members come from a variety of business and professional backgrounds: four of the nine Board members are women; two of the Board members have a legal education background; two of the Board members have a tax and accounting background; one of the Board members has audit experience. With regard to age groups, two members of the Board are at the age 40 or below, three members of the Board are at the age between 41 to 50, and four members of the Board are at the age 51 or above.

GENDER DIVERSITY

As at 31 December 2024, the gender ratio of the Group's workforce (including senior management) was approximately 40% male to 60% female. In respect of gender diversity, the Company intends to maintain at least one-third of the Board and the workforce be held by women. Throughout the recruitment process, the Group has always been non-discriminatory and hiring based on the merits and background of the candidates. Based on the above, the Board is satisfied that the Company has achieved gender diversity in its workforce.

NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and nomination of suitable candidate for appointment as Directors to the Nomination Committee of the Company. The Nomination Committee has formulated and set out the nomination policy ("Nomination Policy") in relation to the selection, appointment and re-appointment of the Directors and ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

To ensure changes to the Board composition can be managed without undue disruption, a formal, considered and transparent procedure is in place for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified including, but not limited to, the following criteria:

– character and integrity;

– qualifications, including professional qualifications, skills, knowledge and experience, and aspects of diversity relevant to the Company's business and corporate strategy under the Board Diversity Policy;

– any potential contribution the candidate can make to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

– the willingness and ability to devote sufficient time to the performance of his/her duties as a member of the Board and/or Board committees of the Company.

If the candidate is proposed to be appointed as an independent non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he/she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The process and procedures for the nomination of Directors are set out below:

– the Nomination Committee or the company secretary of the Company shall call a meeting of the Nomination Committee, and invites nominations of candidates from Board member if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

– for filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

– a shareholder can serve a notice to the Company Secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular. A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary or Chairman.

– the Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

DIRECTORS' RESPONSIBILITIES FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements. The statement of the external auditors of the Company regarding their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 65 to 70 of this report.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, overseeing the Company's financial reporting system, risk management system and internal control system, reviewing and monitoring effectiveness of internal audit function, making recommendation to the Board on the appointment, remuneration and terms of engagement of external auditor and monitoring the independence of external auditor, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, risk management and internal control or other matters of the Company.

During the year ended 31 December 2024, the Audit Committee held two (2) meetings at the presence of the Company's external auditors, during which the Audit Committee:

- reviewed the restatement adjustment for the Company's consolidated financial statements for the years ended 31 December 2022 and 31 December 2023, and the six months ended 30 June 2023;

- reviewed the consolidated financial statements of the Group for the year ended 31 December 2024, the interim financial statements of the Group for the six months ended 30 June 2024 and the related results announcements, documents and other matters or issues raised by the Company's auditor;

- considered the fees, independence and scope of work of the Company's auditor and made recommendations to the Board;

- reviewing the external auditor's management letter, material queries raised by the external auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response to such queries;

- discussed and confirmed with the management the effectiveness of the Group's financial reporting process, risk management and internal control systems, and reviewed the risk management and internal control systems; and

- reviewed the Company's compliance with the CG code.

The attendance of the members of the Audit Committee to these Audit Committee meetings is set out in the section below headed "Attendance at Board Meetings and General Meetings".

Remuneration Committee

The principal responsibilities of the Remuneration Committee include recommending to the Board the remuneration policy, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, recommending to the Board the remuneration packages of individual executive directors and senior management, as well as reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2024, the Remuneration Committee held one (1) meeting, during which the Remuneration Committee reviewed the remuneration policy and structure for the Directors and senior management of the Company.

The attendance of the members of the Remuneration Committee to the Remuneration Committee meeting is set out in the section below headed "Attendance at Board Meetings and General Meetings".

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the Year are set out in note 11 to the consolidated financial statements, and the remuneration of the senior management (other than Directors) of the Company for the year ended 31 December 2024 by band is set out below:

Remuneration Band	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	–
Above HK$2,000,000	–

Nomination Committee

The principal responsibilities of the Nomination Committee include reviewing the structure, size, composition and diversity (including but not limited to skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service) of the Board, to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship, to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and to review the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy.

During the year ended 31 December 2024, the Nomination Committee met two (2) times to review the structure, size, composition and diversity of the Board, to access the independence of each independent non-executive Director, to consider the qualifications of the retiring directors standing for election at the annual general meeting, to consider and make recommendation to the Board on the redesignation of chairman and appointment of CEO.

ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETING

Attendance of each Director at all the Board meetings, Board Committee meetings and general meetings held during the year ended 31 December 2024 is set out as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meeting
Executive Directors					
Mr. Yu Zhibo*	11/11	–	–	–	1/1
Mr. Jin Ailong	11/11	–	–	–	1/1
Ms. Yang Yuyan	11/11	–	–	–	1/1
Ms. Sun Xiaoze**	11/11	–	–	–	1/1
Mr. Yu Jiyuan* *(resigned on 4 October 2024)*	6/7	–	1/1	1/2	1/1
Non-executive Directors					
Mr. Lin Qing Yu	5/11	–	–	–	1/1
Mr. Zheng Ye	9/11	–	–	–	1/1
Ms. Chen Junyan *(resigned on 2 December 2024)*	7/9	–	–	–	0/1
Independent non-executive Directors					
Ms. Zhong Bifeng	9/11	2/2	1/1	2/2	1/1
Ms. Huang Qingwei	11/11	2/2	–	–	1/1
Mr. Shen Shigang	10/11	2/2	1/1	2/2	1/1
Ms. Lam Shuk Yi Mariana *(resigned on 3 September 2024)*	3/5	–	–	–	1/1

Note: Attendance of the Directors who were appointed and/or had resigned during the Year were made by reference to the number of such meetings held during their respective tenures.

* Mr. Yu Zhibo is the father of Mr. Yu Jiyuan

** Ms. Sun Xiaoze has tendered her resignation on 28 March 2025 and to take effect from 28 April 2025

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Z.L. Global Corporate Services Limited ("ZLGCS"), to provide compliance and full range of company secretarial services to the Company in order to assist the Company to cope with the changing regulatory environment and to suit different commercial needs. Mr. Lam Man Kit ("Mr. Lam"), the representative of ZLGCS, has been appointed as the named company secretary of the Company with effect from 3 September 2024. His primary corporate contact person at the Company is Mr. Yu Zhibo, the Chairman and an executive Director. During the Year, Mr. Lam has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

INDEPENDENT AUDITORS’ REMUNERATION

During the year ended 31 December 2024, the remuneration paid or payable to the external auditors of the Company in respect of the audit and non-audit services were as follows:

	HK$’000
Audit services	
– Statutory audit services	1,260
Non-assurance services	170
	1,430

The other non-assurance services mainly cover the interim results of the Group for the six months ended 30 June 2024.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the code provision A.2.1 of the CG Code which include (a) developing and reviewing the Company’s policies and practices on corporate governance and make recommendations; (b) reviewing and monitoring the training and continuous professional development of Directors and senior management; (c) reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements; (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) reviewing the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

INDEPENDENT VIEWS OF THE BOARD

The Board has established the following mechanisms to ensure independent views are available to the Board:

(i) Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) Independence Assessment

The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

(iii) Compensation

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) Board Decision Making

Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense. A Director (including independent non-executive Directors) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

The Board has reviewed the implementation and effectiveness of the said mechanism and will continue to monitor the implementation and effectiveness of such mechanism on an annual basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Responsibilities for the Risk Management and Internal Control Systems

The Board acknowledges that it is responsible for the risk management and internal control systems and oversees such systems on an ongoing basis, while ensuring a review of the effectiveness of these systems of the Group is conducted at least annually. The scope of such review covers all material controls, including financial, operational and compliance controls. The Group's risk management and internal control systems are designed to managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, and the management has provided a confirmation to the Audit Committee and the Board on the effectiveness of these systems for the year ended 31 December 2024. In March 2025, the audit committee conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2024 and considered the adequacy of the Group's existing resources, staff qualifications and experience, as well as training and budgets in relation to accounting, internal audit and financial reporting functions, as well as those relating to ESG performance and reporting, and concluded that such systems were effective and adequate during the Year.

Risk Management System and Internal Control System

The Company established the risk management system and internal control system according to the following principles, main features are shown as below:

- Alignment to the Company's strategy: The enterprise risk management is aligned to the Company's strategic targets;
- Compliance: The Company complies with relevant laws and regulations including the Listing Rules and relevant management systems;
- Comprehensiveness: Enterprise risk management involves all employees of the Company, and plays important roles in decision-making, management and execution in all areas of businesses;
- Materiality: The Company focuses on risk management of key businesses and high risk areas; and
- Cost effectiveness: The Company optimises existing resources, and implements effective risk control procedures at a reasonable cost to enhance the efficiency and effectiveness of risk management system and internal control system.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

- Risk Identification: Identifies risks that may potentially affect the Group's business and operations.

- Risk Assessment: (i) Assesses the risks identified by using the assessment criteria developed by the management; and (ii) considers the impact on the business and the likelihood of their occurrence.

- Risk Response: (i) Prioritises the risks by comparing the results of the risk assessment; (ii) determines the risk management strategies and internal control procedures to prevent, avoid or mitigate the risks; and (iii) strengthens the monitoring and warning function of the system continuously based on the result of risk assessment.

- Risk Monitoring and Reporting: (i) Establishes hierarchical supervisory responsibilities in the Group to ensure that risk monitoring is objective and effective; (ii) performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place; (iii) revises the risk management strategies and internal control procedures in case of any significant change of situation; (iv) reports the results of risk monitoring to the management and the Board regularly; and (v) the Board and the Audit Committee review the work of the managements and monitor the progress of rectifying internal control deficiencies to ensure the effectiveness of risk management and internal control systems, as well as the rectification of related deficiencies.

Review of Risk Management and Internal Control Systems

The Company has engaged Moore Advisory Services Limited (大華國際咨詢有限公司) as independent external professional consultant to conduct a review on the effectiveness of the risk management and internal control systems of the Group and provide recommendations to the Company for the year ended 31 December 2024. The review covered the risk management and internal control systems including but not limited to, (i) the changes, in the nature and extent of significant risks and the Company's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, (iii) the extent and frequency of communication of monitoring results to the Audit Committee and the Board which enables them to assess control of the Company and the effectiveness of risk management, (iv) significant control failings or weaknesses that have been identified, and (v) the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The risk assessment report and the internal control review report have been submitted to the Audit Committee and the Board for their review, and considered that the risk management and internal control systems were effective and adequate for the year ended 31 December 2024.

Policy on Disclosure of Inside Information

The Board has adopted the policy on disclosure of inside information with respect to the procedures and internal controls for the handling and dissemination of inside information. This policy sets out guidelines and procedures to the Directors and relevant officers of the Group to ensure inside information of the Group is to be disseminated to the public on an equal basis and in timely manner. Directors and relevant officers in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential. The policy on disclosure of inside information shall be updated and revised as and when necessary in light of changes in circumstances and changes in the Listing Rules, Part XIVA of the Securities and Futures Ordinance and relevant statutory and regulatory requirements from time to time.

If there are any unexpected or significant events that may materially affect the trading price or volume of the shares of the Company, the CEO and/or the chief financial officer of the Company ("CFO") will immediately carry out due diligence to gather the necessary information for to preliminarily assess the potential impact on the financial and operation of the Group and, in particular, whether such information constitutes inside information under Part XIVA of the SFO. The CEO and the CFO will report its preliminary assessment and findings to the Board and may seek professional advice on the matter, if necessary. If it is considered an inside information, the Company will arrange for preparation of the draft announcement for the Board's consideration and in the interim uses its best endeavor to ensure the relevant inside information will be kept strictly confidential within the team so that such inside information will be equally disseminated to all shareholders upon publication of the relevant announcement on the Hong Kong Stock Exchange and the Company's website.

Anti-corruption policy

In compliance with code provision D.2.6 and D.2.7 of the CG Code, the Group has established policy and measures that promote and support anti-corruption laws and regulations; and adopted whistleblowing policy and measures for employees, suppliers and business partners to raise concerns or complaints in confidence and anonymity. The Group has also provided several anti-corruption trainings to employees in different locations to enhance their understanding of the corporate culture and relevant laws and regulations.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. However, the Group had engaged an independent external professional consultant to conduct a review on the effectiveness of the risk management and internal control systems of the Group throughout the year. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external professional consultant to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

DIVIDEND POLICY

The Company has a dividend policy in compliance with F.1.1 of the CG Code, which aims to establish the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements. The Board has the absolute discretion to declare and distribute dividends to the shareholders of the Company, subject to the Bye-Laws and all applicable laws and regulations. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time.

CONSTITUTIONAL DOCUMENT

The Bye-Laws are available at the Company's website and the Stock Exchange's website. No changes have been made to the Bye-Laws during the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting and putting forward proposals at Shareholders' Meeting

Pursuant to Bye-law 58 of the Bye-Laws, the Board may whenever it thinks fit call special general meetings, and one or more Members (including a recognized clearing house (or its nominee)) holding as at the date of deposit of the requisition, in aggregation, at least one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to convene a special general meeting for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda. The requisitionist(s) may add resolutions to the agenda of a general meeting requisitioned under this Bye-law.

Enquiries to the Board

Shareholders may send their enquiries, in written form, to the principal place of business in Hong Kong of the Company indicating the company secretary of the Company as the addressee. The company secretary of the Company is responsible for forwarding communications to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholder's questions.

Communication with Shareholders and Investors

To promote effective communication, the Company maintains a website at where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. The Company has adopted a shareholders communication policy ("Shareholders' Communication Policy") to ensure there will be timely and effective channels for the shareholders to communicate their view on various matters concerning the Company.

A summary of the Shareholders Communication Policy is as follows:

– the Company's financial reports, circulars, announcements and notice AGMs and other general meetings will be published on the Stock Exchange's website as required under the Listing Rules;

– the Company through its website from time to time publishes information including its press releases, announcements, circulars, financial statements, business developments and operations and other information so that the shareholders will have a better understanding of the business development and performance of the Company;

– at the shareholders' meetings, through annual general meetings and other general meetings, the shareholders may make enquiries to the Company by directly raising questions to the Company. The chairman of the Board, together with the chairman of the Board committees or their delegates, the senior management executives and external auditors are strongly encouraged to attend the annual general meetings to attend to the questions from the shareholders; and

– any shareholder of the Company may make enquiries to the Investor Relations Department of the Company at (852) 2522 2898 or by enquiry@chkoilltd.com.

The Board had reviewed the implementation and effectiveness of the Shareholders' Communication Policy during the year ended 31 December 2024. In light of the above, the Board considered the Shareholders' Communication Policy had been effectively implemented during the year ended 31 December 2024.

Directors' Report

The Directors hereby present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

BUSINESS REVIEW

A detailed review and analysis on the Group's business performance and the material factors underlying its financial position during the Year, as well as the development and likely future prospects of the Group's business are provided throughout this report and in particular under the following separate sections:

- review of the Company's business and financial position and development and future prospects of the Company's business are shown in the sections headed "Chairman's Statement" and the "Management Discussion and Analysis" of this report;

- details of key performance indicators are shown in the section headed "Management Discussion and Analysis" of this report;

- the principal risks and uncertainties facing the Company are shown in the section headed "Management Discussion and Analysis" of this report;

- the Group's compliance with the relevant laws and regulations are shown in the paragraph headed "Environmental Policies and Compliance with Relevant laws and regulations" below and the sections headed "Environmental, Social and Governance Report" of this report; and

- the Group's key relationships with employees, customers and suppliers are shown in the paragraph headed "Key Relationships" below and the sections headed "Environmental, Social and Governance Report" of this report.

The discussions referred to in the above form part of this Directors' Report.

KEY RELATIONSHIPS

- **Employees**

  Human resources are one of the greatest assets of the Group and the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

- **Customers**

  The Group cherishes the mutually beneficial relationships with its customers. The Group will provide the best services to its clients to establish and consolidate the Group's reputation in the industry.

- **Suppliers**

  The Group is also dedicated to developing good relationship with its suppliers, who are liable to social responsibility and reliable on deliverability as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with its suppliers by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is committed to protecting the environment and effective consumption of natural resources. Although the Group does not directly produce significant quantities of atmospheric emissions, the Group encourage its employees and business partners to be aware of their impact to the environment and develop strategies to minimize their ecological footprint. The environmental policies of the Group include minimising consumption of paper and electricity, and reducing waste.

During the Year, the Group's operations were in compliance with relevant environmental regulations and standards, including but not limited to regulations governing oil exploration activities, oil production, storage, and waste disposal in all material respects.

Pursuant to Appendix C2 of the Listing Rules, the Company is required to prepare an Environmental, Social and Governance Report, which explains the management approaches, strategies, policies, measures taken and results of its activities on environmental and social areas and aspects, and evaluate their impact on the sustainable development of the environment and society. The Environmental, Social and Governance Report for the year ended 31 December 2024 is shown in the sections headed "Environmental, Social and Governance Report" of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024 (2023: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2024 in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

RIGHT-OF-USE ASSETS

Details of the movements during the year ended 31 December 2024 in the right-of-use assets of the Group are set out in note 13 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 74 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2024, no distributable reserves were available for distribution to the equity shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 24 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year ended 31 December 2024 and up to the date of this report were:

Executive Directors
Yu Zhibo *(Chairman)*
Jin Ailong *(Chief Executive Officer)*
Yang Yuyan
Sun Xiaoze *(tendered resignation with effect from 28 April 2025)*
Yu Jiyuan *(resigned on 4 October 2024)*

Non-executive Directors
Lin Qing Yu
Zheng Ye
Chen Junyan *(resigned on 2 December 2024)*

Independent Non-executive Directors
Zhong Bifeng
Huang Qingwei
Shen Shigang
Lam Shuk Yi Mariana *(resigned on 3 September 2024)*

In accordance with the Bye-Laws, Mr. Jin Ailong, Ms. Yang Yuyan and Mr. Lin Qing Yu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 5 to 6 of this report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries was a party and in which any controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2024, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) held by the Directors and chief executives of the Company (the "Chief Executives") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in shares of the Company

Name of director	Capacity/Nature of interest	Number of shares held	Approximately percentage of interest in the Company
Yu Zhibo	Interest in controlled corporation	580,172,014 *(Note)*	68.91%
Zhong Bifeng	Beneficial owner	5,000,000	0.59%
Jin Ailong	Beneficial owner	4,726,000	0.56%

Note: These 580,172,014 shares are held by Xin Hua, which, in turn, is owned by Mr. Yu Zhibo as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%.

Long positions in shares of associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares held	Percentage of interest
Yu Zhibo	Xin Hua Petroleum (Hong Kong) Limited	Beneficial owner	4,628	46.28%

Save as disclosed above, as at 31 December 2024, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Chief Executives were aware, as at 31 December 2024, other than the Directors and the Chief Executives, the following persons/corporations had or were deemed or taken to have an interest and/ or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register of the Company required to be kept under section 336 of the SFO, or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long Positions in shares of the Company

Name	Capacity/Nature of interest	Number of shares held	Approximate percentage of interest in the Company
Xin Hua Petroleum (Hong Kong) Limited	Beneficial owner	580,172,014 *(Note)*	68.91%

Note: These 580,172,014 shares are held by Xin Hua which, in turn, is owned by Ms. Yu Zhibo as to 46.28%, Ms. Chen Junyan as to 34.92% and Mr. Chen Yaxin as to 18.80%.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

On 12 December 2019, a share option scheme (the "Share Option Scheme") which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The major terms of the Share Option Scheme are as follows:

1. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions to those who had made, may have made or will make contributions to the Group. The Share Option Scheme will provide those who are eligible an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate them to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an ongoing business relationship with those whose contributions are or will be beneficial to the long-term growth of the Group;

2. The participants of the Share Option Scheme include (i) any full-time employee, Director, chief executives or part-time employee of the Group; (ii) any substantial shareholder of any member of the Group or any holder of any securities issued or proposed to be issued by any member of the Group, who on its own or in aggregate holding or will be holding (as a result of the proposed issue, if applicable) 10% or more of the shares or securities in the respective member of the Group; or (iii) any adviser or, consultant, distributors, suppliers, agents, customers, joint venture partners, service provider to the Group who the Board of Directors considers, in its sole discretion, has contributed or will contribute to the Group;

3. The total number of Shares available for issue under the Share Option Scheme was 61,227,598 Shares, representing approximately 7.14% of the issued Shares as at the date of this report;

4. The total number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised, cancelled and outstanding options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant;

5. The exercise period of any options granted under the Share Option Scheme shall be determined by the Board in its absolute discretion at the time of grant, save that such period shall not exceed ten (10) years from the date of grant and the Board may impose restrictions on the exercise of an option during the period an option may be exercised;

6. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an option;

7. The acceptance of an offer of the grant of the options must be made within 21 days from (and including) the date of offer with a non-refundable payment of HK$1.00 from each participant;

8. The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion but in any event shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business day immediately preceding the date of grant; and

9. The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the adoption date of the Share Option Scheme on 12 December 2019.

There have been no share options granted in accordance to the Share Option Scheme as at the date of this report.

EMOLUMENT POLICY

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group as well as the performance of the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out in the paragraph headed "Share Option Scheme".

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group. Details of the emoluments of the Directors, five highest paid individuals and senior management by band are set out in note 11 to the consolidated financial statements.

PENSION SCHEME

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in the defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a range from 14% to 20% of the salaries, bonuses and certain allowances of the employees.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director (or any entity connected with a Director) had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2024.

COMPETING INTERESTS

During the year ended 31 December 2024, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest, which any such person has or may have with the Group.

EQUITY-LINKED AGREEMENT

Save as disclosed above and the Share Option Scheme disclosed in the section headed "Share Option Scheme", there was no other equity linked agreement entered into by the Company during the year ended 31 December 2024 or subsisted at the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws, the Directors, secretary and other officers Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that such indemnity shall not extend to any matter in respect of any found on dishonesty which may attach to the relevant indemnified person.

The Company has maintained director's liability insurance which provides appropriate cover for the Directors and the directors of the subsidiaries of the Company for indemnifying their liabilities arising out of corporate activities.

MANAGEMENT CONTRACTS

During the year ended 31 December 2024, other than the contracts entered into with its Directors and employees, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year are detailed in note 26 to the consolidated financial statements.

During the year ended 31 December 2024, none of these related party transactions are connected transaction or continuing connected transaction which are subject to disclosure requirement under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights, under the Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2024.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

(i) On 15 January 2025, the Company and Guoyuan Securities Brokerage (Hong Kong) Limited (the "Placing Agent") entered into a placing agreement, pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best effort basis, the placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for no more than 20,000,000 new shares of the Company (the "Placing Shares") at a price of HK$0.385 per Placing Share (the "Placing"). The Placing was completed on 5 February 2025. An aggregate of 15,426,000 Placing Shares have been placed by the Placing Agent at the placing price of HK$0.385 per Placing Share pursuant to the terms and conditions of the placing agreement. For further details, please refer to the announcements of the Company dated 15 January 2025 and 5 February 2025.

(ii) On 17 January 2025 (after trading hours), the Company and Xin Hua entered into a loan settlement agreement, pursuant to which, the parties have conditionally agreed that the partial and aggregated principal amount of loan from Xin Hua of HK$5,000,000 will be partially settled through allotment and issuance of 12,048,192 capitalisation shares at the issue price of HK$0.415 per capitalisation share to Xin Hua (the "Loan Capitalisation"). For further details, please refer to the announcements of the Company dated 17 January 2025 and 21 March 2025, and the circular dated 28 February 2025.

Save as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2024 and up to the date of this report.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's principal businesses are (i) exploring, exploiting and sale of oil and natural gas; and (ii) trading of oil and oil-related products.

During the year ended 31 December 2024, the aggregate turnover attributable to the Group's largest customer and five largest customers accounted for approximately 41.2% (2023: 26.8%) and 100% (2023: 74.4%) respectively of the total revenue of the Group.

During the year ended 31 December 2024, the aggregate purchase attributable to the Group's largest supplier and five largest suppliers accounted for approximately 71% (2023: 39.4%) and 100% (2023: 100%) respectively of the total purchase of the Group.

At no time during the year ended 31 December 2024 did a Director, a close associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2024 and as at the date of this report, there was sufficiency of public float of the Company's securities as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the year ended 31 December 2024 have been audited by Forvis Mazars CPA Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. There have been no changes in auditors of the Company in the preceding three years.

On behalf of the Board

Yu Zhibo
Chairman

28 March 2025

Independent Auditor's Report

Forvis Mazars CPA Limited
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To the shareholders of
CHK Oil Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CHK Oil Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 71 to 137, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the "Going concern" section in note 2(b) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred a net loss attributable to owners of the Company of HK$21,482,000 for the year ended 31 December 2024 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,213,000 which are due for repayment within the next twelve months after 31 December 2024, while the Group had only bank balances and cash of HK$13,511,000. These conditions along with other matters as set forth in note 2 (b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company, having considered the plans and measures being taken by the Group, are of opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Ownership and existence of intangible assets and related oil and gas properties	
Refer to notes 2(a), 12 and 14 to the consolidated financial statements. As at 31 December 2024, the Group's intangible assets of HK$155,676,000 and oil and gas properties of HK$15,924,000 represent the largest non-current asset items of the Group. The Group held exploitation interest in the gas and oil fields in the State of Utah, United States of America (the "USA") (the "Utah Gas and Oil Field"), through a lease with the Bureau of Land Management ("BLM") of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. If these leases had been terminated, there would be significant impact on the consolidated financial statements of the year. We therefore identified the ownership and existence as a key audit matter.	In addressing this matter, we had performed the following key procedures: a) We performed title searches on the terminated leases and the remaining leases of the Utah Gas and Oil Field with relevant authorities in Utah, the USA; b) We attended the site visit and met with the Company's legal advisers in Utah; c) We performed physical inspection of the oil and gas properties on the Utah Gas and Oil Field; d) We evaluated the competence, capabilities and objectivity of the legal advisers and other professional parties engaged by the Company; e) We reviewed the legal opinion from the Company's legal advisers in Utah and evaluated the reasonableness of rationale in the legal opinion; and f) We understood the key process and relevant controls of the Company and reviewed the internal control report prepared by an independent professional firm engaged by the Company.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Impairment assessment of intangible assets and oil and gas properties</td></tr>
<tr><td>Refer to notes 12 and 14 to the consolidated financial statements.

As at 31 December 2024, the Group's intangible assets of HK$155,676,000 and property, plant and equipment of HK$15,924,000 were allocated to and monitored within the oil and gas sales segment. Any impairment of these non-current assets identified may have material impact on the consolidated financial statements.

The carrying amounts of these non-current assets are subject to impairment assessments annually or when there is an indication of impairment or an impairment loss is reversed if there has been a favorable change in the estimates used to determine their recoverable amount.

For the purpose of assessing impairment, these intangible assets and property, plant and equipment, being the oil and gas properties, were identified as a cash generating unit (the "Oil and Gas Sales CGU"), and the Group engaged an independent and qualified professional valuer to assess the recoverable amount of the Oil and Gas Sales CGU which is determined based on the higher of the fair value less costs of disposal and the value in use. The management estimated the recoverable amount of the Oil and Gas Sales CGU based on their fair value less costs of disposal and concluded that a reversal of impairment loss in aggregate of HK$28,900,000 in relation to the intangible assets and property, plant and equipment is recognised for the year ended 31 December 2024.

Impairment assessment of the significant carrying amount of those assets is highly judgmental and involves a high degree of estimation uncertainty. We therefore identified the impairment assessment as a key audit matter.</td><td>In addressing this matter, we had performed the following key procedures:

a) We discussed with the management on their approach to impairment assessment;

b) We evaluated the competence, capabilities and objectivity of the valuers;

c) We performed procedures to understand the key processes and controls relating to the assessment of the recoverable amount of the Oil and Gas Sales CGU;

d) We evaluated the appropriateness of the methodology used for the determination of recoverable amount of the Oil and Gas Sales CGU;

e) We evaluated the reasonableness of key assumptions applied in the fair value less costs of disposal calculations with reference to available market data;

f) We reviewed the sensitivity analysis over the key assumptions used in order to assess the potential impact of a range of possible outcomes;

g) We checked with comparable data through internal or external sources, on a sample basis, the accuracy and relevancy of the input data used; and

h) We considered the adequacy of the Group's disclosure in respect of the impairment assessment.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade deposits paid to suppliers	
Refer to notes 17(a) and 27(c) to the consolidated financial statements. As at 31 December 2024, included in the Group's prepayments, deposits and other receivables were trade deposits of HK$89,207,000 paid to suppliers. The trade deposits represent the second largest asset item of the Group. If trade deposits were not utilised or recovered in full, there would be significant impact on the consolidated financial statements of the Group. Impairment assessment of the carrying amount of those trade deposits is highly judgmental and involves a high degree of estimation uncertainty. We therefore identified the impairment assessment as a key audit matter.	In addressing this matter, we had performed the following key procedures: a) We obtained an understanding of management's key controls relating to the Group's credit control; b) We arranged audit confirmation with suppliers for balance of trade deposits as at 31 December 2024; c) We obtained the breakdown of trade deposits and examined the historical records and supporting documents for delivery of goods by the suppliers, prepayments made and refund received from the suppliers; d) We understood from the management the business plan and commercial rationale of prepayment made, utilization or refund of the trade deposits; e) We examined the subsequent utilization, or refund of the trade deposits; f) We assessed the method, basis, key assumptions and rationale for the allowance for credit loss made by the management's valuer; g) We evaluated the competence, capabilities and objectivity of the valuer engaged by the Company; h) We reviewed the expected credit loss ("ECL") assessment prepared by management and the ECL valuation report issued by the independent professional valuer; and i) We reviewed the sensitivity analysis over the key assumptions used by the valuer.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2024 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2025

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Wai
Practising Certificate number: P05708

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 *HK$'000*	2023 *HK$'000* *(Restated)*
Revenue	*4*	**153,126**	161,497
Cost of sales		**(150,955)**	(159,988)
Gross profit		**2,171**	1,509
Other income	*5*	**403**	6,351
Administrative expenses		**(36,141)**	(19,086)
Selling expenses		–	(1,304)
Loss on written off of property, plant and equipment		**(2,524)**	–
Reversal of (Provision for) impairment loss of property, plant and equipment	*12*	**2,682**	(2,521)
Reversal of (Provision for) impairment loss of intangible assets	*14*	**26,218**	(20,879)
Provision for impairment loss of trade and other receivables	*27(c)*	**(5,998)**	-
Finance costs	*6*	**(264)**	(249)
Loss before tax	*7*	**(13,453)**	(36,179)
Income tax (expense) credit	*8*	**(8,029)**	4,895
Loss for the year		**(21,482)**	(31,284)
Other comprehensive loss for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(3,208)**	(2,836)
Total comprehensive loss for the year		**(24,690)**	(34,120)
Loss attributable to:			
Owners of the Company		**(21,482)**	(31,284)
Non-controlling interests		–	–
		(21,482)	(31,284)
Total comprehensive loss attributable to:			
Owners of the Company		**(24,690)**	(34,120)
Non-controlling interests		–	–
		(24,690)	(34,120)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*10*	**(2.55)**	(3.72)

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	**31 December 2024 HK$'000**	31 December 2023 HK$'000 (Restated)	1 January 2023 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*12*	**16,099**	15,813	18,334
Intangible assets	*14*	**155,676**	129,458	150,337
Right-of-use assets	*13*	**1,484**	3,353	4,628
Statutory deposits and other assets	*15*	**2,622**	2,622	2,622
		175,881	151,246	175,921
Current assets				
Trade receivables	*16*	**4,332**	7,679	17,448
Prepayments, deposits and other receivables	*17*	**91,237**	176,945	125,962
Bank balances and cash	*18*	**13,511**	1,252	15,147
		109,080	185,876	158,557
Current liabilities				
Trade and other payables	*19*	**21,618**	50,729	23,246
Loans from ultimate holding company	*20*	**10,900**	2,980	–
Bank loan and other borrowings	*21*	**3,193**	13,854	–
Lease liabilities	*22*	**1,701**	1,888	1,735
Tax payable		**12,801**	11,716	13,120
		50,213	81,167	38,101
Net current assets		**58,867**	104,709	120,456
Total assets less current liabilities		**234,748**	255,955	296,377
Non-current liabilities				
Deferred tax liabilities	*23*	**6,100**	1,043	5,938
Lease liabilities	*22*	**–**	1,574	2,899
Other liabilities		**–**	–	82
		6,100	2,617	8,919
Net assets		**228,648**	253,338	287,458

	Notes	**31 December 2024** *HK$'000*	31 December 2023 *HK$'000* *(Restated)*	1 January 2023 *HK$'000* *(Restated)*
Equity				
Share capital	*24*	**168,376**	168,376	168,376
Reserves		**59,257**	83,947	118,067
Equity attributable to owners of the Company		**227,633**	252,323	286,443
Non-controlling interests		**1,015**	1,015	1,015
Total equity		**228,648**	253,338	287,458

These consolidated financial statements on pages 71 to 137 were approved and authorised for issue by the Board of Directors on 28 March 2025 and signed on its behalf by:

Yu Zhibo
Executive Director

Jin Ailong
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 Note 25(e)	Treasury shares reserve HK$'000 Note 25(b)	Capital reserve HK$'000 Note 25(a)	Statutory reserve HK$'000 Note 25(c)	Translation reserve HK$'000 Note 25(f)	Accumulated losses HK$'000	Total reserves HK$'000	Total equity HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023, as previously reported	168,376	2,815,677	(10,556)	403,851	12,196	(904)	(2,928,993)	291,271	459,647	1,015	460,662
Correction of prior year errors	–	–	–	–	–	–	(173,204)	(173,204)	(173,204)	–	(173.204)
At 1 January 2023, as restated	168,376	2,815,677	(10,556)	403,851	12,196	(904)	(3,102,197)	118,067	286,443	1,015	287,458
Loss for the year, as restated	–	–	–	–	–	–	(31,284)	(31,284)	(31,284)	–	(31,284)
Other comprehensive loss for the year	–	–	–	–	–	(2,836)	–	(2,836)	(2,836)	–	(2,836)
Total comprehensive loss for the year, as restated	–	–	–	–	–	(2,836)	(31,284)	(34,120)	(34,120)	–	(34,120)
At 31 December 2023, as restated	168,376	2,815,677	(10,556)	403,851	12,196	(3,740)	(3,133,481)	83,947	252,323	1,015	253,338
At 1 January 2024, as previously reported	**168,376**	**2,815,677**	**(10,556)**	**403,851**	**12,196**	**(3,740)**	**(2,978,545)**	**238,883**	**407,259**	**1,015**	**408,274**
Correction of prior year errors	**–**	**–**	**–**	**–**	**–**	**–**	**(154,936)**	**(154,936)**	**(154,936)**	**–**	**(154,936)**
At 1 January 2024, as restated	**168,376**	**2,815,677**	**(10,556)**	**403,851**	**12,196**	**(3,740)**	**(3,133,481)**	**83,947**	**252,323**	**1,015**	**253,338**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(21,482)**	**(21,482)**	**(21,482)**	**–**	**(21,482)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(3,208)**	**–**	**(3,208)**	**(3,208)**	**–**	**(3,208)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(3,208)**	**(21,482)**	**(24,690)**	**(24,690)**	**–**	**(24,690)**
At 31 December 2024	**168,376**	**2,815,677**	**(10,556)**	**403,851**	**12,196**	**(6,948)**	**(3,154,963)**	**59,257**	**227,633**	**1,015**	**228,648**

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000 (Restated)
Cash flows from operating activities			
Loss before tax		**(13,453)**	(36,179)
Adjustments for:			
Finance costs		**264**	249
Depreciation of property, plant and equipment		**91**	88
Depreciation of right-of-use assets		**1,869**	1,840
Interest income		**(92)**	(5,772)
Loss on written off of property, plant and equipment		**2,524**	–
(Reversal of) Provision for impairment loss of property, plant and equipment		**(2,682)**	2,521
(Reversal of) Provision for impairment loss of intangible assets		**(26,218)**	20,879
Provision for impairment loss of trade and other receivables		**5,998**	–
Effect of foreign exchange rate changes		**621**	–
Operating loss before working capital changes		**(31,078)**	(16,374)
(Increase) Decrease in trade receivables		**(2,898)**	9,329
Decrease (Increase) in prepayments, deposits and other receivables		**84,051**	(48,535)
(Decrease) Increase in trade and other payables		**(31,769)**	27,889
Cash from (used in) operations		**18,306**	(27,691)
Interest received		**92**	161
Tax paid		**(1,580)**	(1,129)
Net cash from (used in) operating activities		**16,818**	(28,659)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(216)**	(88)
Net cash used in investing activities		**(216)**	(88)
Cash flows from financing activities			
Loans from ultimate holding company	*29*	**21,000**	2,980
Repayment of loans from ultimate holding company	*29*	**(13,080)**	–
New bank loan and other borrowings	*29*	**3,193**	24,849
Repayment of bank loan and other borrowings	*29*	**(13,408)**	(10,995)
Repayment of lease liabilities	*29*	**(1,761)**	(1,696)
Interest paid	*29*	**(264)**	(249)
Net cash (used in) from financing activities		**(4,320)**	14,889
Net increase (decrease) in cash and cash equivalents		**12,282**	(13,858)
Effect on exchange rate changes		**(23)**	(37)
Cash and cash equivalents at beginning of the reporting period		**1,252**	15,147
Cash and cash equivalents at end of the reporting period, represented by bank balances and cash		**13,511**	1,252

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

CHK Oil Limited (the "Company", together with its subsidiaries are collectively referred to as the "Group") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Units 2617-18, 26th Floor, Mira Place Tower A, No. 132 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors of the Company, the Company's parent and ultimate holding company is Xin Hua Petroleum (Hong Kong) Limited ("Xin Hua"), a company incorporated in Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except where otherwise indicated.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis.

Restatement adjustments

The Group held exploitation interest in the gas and oil fields in the State of Utah, United States of America (the "USA") (the "Utah Gas and Oil Field"), through four leases with the Bureau of Land Management ("the BLM") of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. In August 2024, the Company discovered that three of the leases with the BLM would have been terminated at the earliest as at 26 September 2022, being 60 days after the Group received the BLM's 22 June 2022 written order (the "Relevant Leases"). For details, please refer to the announcements of the Company on 15 August 2024 and 27 September 2024 (collectively "Announcements").

As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. In light of the termination of the Relevant Leases, the Group filed a request for review of the BLM's decision on 26 September 2024. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. In March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022 respectively. As such, the management considers that the Group has not possessed the exploitation interest in the Relevant Leases in the Utah Gas and Oil Field as at 31 December 2022.

Upon the termination of the Relevant Leases, the Group's oil and gas processing rights in Utah, the USA under intangible assets and the oil and gas properties under the property, plant and equipment related to the Relevant Leases as at 1 January 2023 and 31 December 2023 were not properly recorded. The consolidated financial statements for the financial year ended 31 December 2023 would have been restated.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Restatement adjustments *(Continued)*

The effect of the restatements on those financial statements relevant to the consolidated financial statements for the year ended 31 December 2024 is summarised as follows.

	Notes	**Previously reported** *HK$'000*	**Restatement adjustments** *HK$'000*	**Restated** *HK$'000*
As at 1 January 2023				
Consolidated Statement of Financial Position				
Property, plant and equipment	*(i)*	55,442	(37,108)	18,334
Intangible assets	*(ii)*	332,249	(181,912)	150,337
Non-current assets		394,941	(219,020)	175,921
Total assets less current liabilities		515,397	(219,020)	296,377
Deferred tax liabilities	*(iii)*	51,754	(45,816)	5,938
Non-current liabilities		54,735	(45,816)	8,919
Net assets		460,662	(173,204)	287,458
Reserves		291,271	(173,204)	118,067
– Accumulated losses		(2,928,993)	(173,204)	(3,102,197)
Equity attributable to owners of the Company		459,647	(173,204)	286,443
Total equity		460,662	(173,204)	287,458

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Restatement adjustments *(Continued)*

	Notes	Previously reported HK$'000	Restatement adjustments HK$'000	Restated HK$'000
For the year ended 31 December 2023				
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Provision for impairment loss of property, plant and equipment	*(i)*	(6,630)	4,109	(2,521)
Provision for impairment loss of intangible assets	*(ii)*	(39,870)	18,991	(20,879)
Loss before tax		(59,279)	23,100	(36,179)
Income tax credit	*(iii)*	9,727	(4,832)	4,895
Loss for the year		(49,552)	18,268	(31,284)
Total comprehensive loss for the year		(52,388)	18,268	(34,120)
As at 31 December 2023				
Consolidated Statement of Financial Position				
Property, plant and equipment	*(i)*	48,812	(32,999)	15,813
Intangible assets	*(ii)*	292,379	(162,921)	129,458
Non-current assets		347,166	(195,920)	151,246
Total assets less current liabilities		451,875	(195,920)	255,955
Deferred tax liabilities	*(iii)*	42,027	(40,984)	1,043
Non-current liabilities		43,601	(40,984)	2,617
Net assets		408,274	(154,936)	253,338
Reserves		238,883	(154,936)	83,947
– Accumulated losses		(2,978,545)	(154,936)	(3,133,481)
Equity attributable to owners of the Company		407,259	(154,936)	252,323
Total equity		408,274	(154,936)	253,338
For the year ended 31 December 2023				
Consolidated Statement of Cash Flows				
Loss before tax		(59,279)	23,100	(36,179)
Provision for impairment loss of property, plant and equipment		6,630	(4,109)	2,521
Provision for impairment loss of intangible assets		39,870	(18,991)	20,879

Notes to the reconciliations:

(i) The restatement adjustment on the property, plant, and equipment amounting to HK$37,108,000 as at 1 January 2023 represented the loss on written off of HK$35,354,000 and the provision for impairment losses of HK$1,754,000 for the year ended 31 December 2022. The restatement adjustment on the property, plant, and equipment amounting to HK$32,999,000 as at 31 December 2023 represented the loss on written off and provision for impairment losses for the year ended 31 December 2022 and the reversal of impairment losses of HK$4,109,000 for the year ended 31 December 2023.

(ii) The restatement adjustment on the intangible assets amounting to HK$181,912,000 as at 1 January 2023 represented the loss on written off of HK$169,885,000 and the provision of impairment losses of HK$12,027,000 for the year ended 31 December 2022. The restatement adjustment on the intangible assets amounting to HK$162,921,000 as at 31 December 2023 represented the loss on written off and provision for impairment losses for the year ended 31 December 2022 and the reversal of impairment loss of HK$18,991,000 for the year ended 31 December 2023.

(iii) The restatement adjustment on the deferred tax liabilities decreased by HK$45,816,000 at 1 January 2023 represented the deferred tax impact on the restatement adjustments for property, plant and equipment and intangible assets mentioned in notes (i) and (ii) for the year ended 31 December 2022. The restatement adjustment on the deferred tax liabilities increased by HK$4,832,000 as at 31 December 2023 represented the deferred tax impact on the restatement adjustments for property, plant and equipment and intangible assets mentioned in notes (i) and (ii) for the years ended 31 December 2022 and 2023.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year, and which the Group elected to early adopt in the current year. A summary of the principal accounting policies adopted by the Group is set out below.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

(b) Going concern

These consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the cash requirements to meet its financial obligations as and when they fall due within the next twelve months. The Group incurred a net loss attributable to owners of the Company of HK$21,482,000 for the year ended 31 December 2024 and, as of that date, the Group's total trade and other payables (excluding contract liabilities), loans from ultimate holding company, bank loan and other borrowings, lease liabilities, tax payable in aggregated to approximately HK$50,213,000 which are due for repayment within the next twelve months after 31 December 2024, while the Group had only bank balances and cash of HK$13,511,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Going concern *(Continued)*

The directors are of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements which can be prepared on a going concern basis, after taking into consideration of the followings:

(i) the Group's ultimate holding company and its substantial beneficial shareholder have committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its day-to-day operations and its financial obligations as they fall due;

(ii) with reference to the cash flow projection for the next twelve months from the date of this report, the Group will maintain sufficient cash and cash equivalents through internally generated cash flows to finance its activities and pay its debts as and when they fall due;

(iii) the Group will consider other financing arrangements and fund-raising alternatives with a view to reduce the Group's debt/equity and to support the daily operations of the Group; and

(iv) the Group will continue to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its profitability and to improve the cash flows from its operation in future.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the directors of the Company are of the opinion that, in light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise. The effects of these adjustments have not been reflected in these consolidated financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Non-controlling interest in subsidiary is presented separately from the Group's equity therein, which represents present ownership interest entitling its holder to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Allocation of total comprehensive income

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Oil and gas properties

Oil and gas properties are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and impairment losses.

The successful efforts method of accounting is used for oil and gas exploration and production activities. The Group capitalises the initial acquisition costs of oil and gas properties. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

Oil and gas properties are depreciated on a unit-of-production basis over the proved reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated based on the proved and probable developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Other property, plant and equipment

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the shorter of the lease terms or 5 years
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	20%

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(f) Intangible assets

Acquired intangible assets are recognised initially at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. After initial recognition, intangible assets with finite useful life are carried at cost less accumulated amortisation and any accumulated impairment losses.

The intangible assets of oil and gas possessing right of the natural gas and oil properties are amortised upon the commercial production of oil and gas on a unit-of-production basis over the total proved reserves.

(g) Financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument and on trade date basis.

Derecognition of financial assets occurs when the rights to receive cash from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets are initially stated at fair value plus directly attributable transaction costs, except for those financial assets measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. Financial assets are subsequently accounted for, depending on their classification.

Financial assets held by the Group are all classified as amortised cost. The financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income is calculated using effective interest method.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECLs") on its financial assets measured at amortised cost (including cash and cash equivalents, deposits paid, statutory deposits and other assets, and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof.

- variable rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following basis:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward- looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Credit-impaired financial assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

The following assets are subject to impairment testing:

- Intangible assets;
- Right-of-use assets;
- Property, plant and equipment; and
- The Company’s interests in subsidiaries

All the above assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquids investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Financial liabilities

The Group's financial liabilities include trade and other payables, loans from ultimate holding company, bank loan and other borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

The Group's financial liabilities are initially recognised at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost. In the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Leases *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(l) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where the Company's equity share capital is repurchased (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition

(i) Revenue from contracts with customers within HKFRS 15

Nature of goods

The Group engages in oil and gas sales; and trading of oil and oil-related and other products.

Identification of performance obligations

At contract inception, the Group assesses the goods promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(i) a good (or a bundle of goods or services) that is distinct; or

(ii) a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer.

A good that is promised to a customer is distinct if both of the following criteria are met:

(i) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and

(ii) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(ii) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Revenue recognition *(Continued)*

(i) Revenue from contracts with customers within HKFRS 15 *(Continued)*

Timing of revenue recognition (Continued)

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from trading of oil and oil-related and other products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Oil and gas sales are recognised at a point in time at which the customer accepts and takes the control of the products, being when the products are physically transferred into a vessel, pipe or other delivery mechanism agreed with customers.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i)).

(n) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, the corresponding receivable would also be recognised.

(o) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan in Hong Kong under the Mandatory Provident Fund Schemes (“MPF”) Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries.

Pursuant to the relevant People’s Republic of China (“PRC”) laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

(p) Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(i) the Group has the legally enforceable right to set off the recognised amounts; and

(ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (a) the same taxable entity; or

  (b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment. Corporate assets include certain property, plant and equipment, prepayments, deposits and other receivables and bank balances and cash.

Segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment. Corporate liabilities include certain other payables and accruals, loans from ultimate holding company, lease liabilities and tax payable.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Related parties *(Continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third party and the other entity is an associate of the third party.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Critical judgements made in applying accounting policies

Ownership and existence of intangible assets and related oil and gas properties

The Group held exploitation interest in the Utah Gas and Oil Field through four leases with the BLM of the United States Department of Interior and two leases with State of Utah of Department of Natural Resources. In August 2024, the Company discovered that the Relevant Leases with the BLM would have been terminated at the earliest as at 26 September 2022. As the BLM deemed that the Relevant Leases have been terminated, the Group was not allowed to do any work on the wells on the Relevant Leases. In light of the termination of the Relevant Leases, the Group filed a request for review of the BLM's decision on 26 September 2024. After considering the Notice of Appeal and Petitions for Stay filed by the Group, in November 2024, the BLM determined to set aside and remand its decisions to terminate the Relevant Leases, and to revisit the matter and reconsider the appropriate actions to ensure consistency with applicable law and BLM policies. In March 2025, the BLM reissued the termination decisions on the Relevant Leases effective on 27 August 2022, 26 September 2022 and 8 November 2022 respectively.

Based on the legal advice from the Company’s legal advisers in Utah, taking into account that no production in relation to the Relevant Leases had been restored within 60 days since the first written order issued by the BLM on 22 June 2022, the Relevant Leases could be deemed terminated as at 26 September 2022, being 60 days after the receipt of the BLM’s first written order. In addition, although the termination orders issued by the BLM were set aside and remanded, the BLM deems the Relevant Leases terminated, and the Group is not allowed to do any work on the wells on the Relevant Leases. As such, the Group considers that the Group has not possessed the exploitation interest in the Utah Gas and Oil Field as at 31 December 2022.

Accordingly, the intangible assets and the related oil and gas properties of the Relevant Leases have been written off during the year ended 31 December 2022.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Key sources of estimation uncertainty

Estimation of oil and natural gas reserves

Changes in proved oil and natural gas reserves will affect the depreciation, depletion and amortisation under the unit-of-production method recorded in the Group's consolidated financial statements for property, plant and equipment and intangible assets related to oil and gas production activities. The proved oil and natural gas reserves are also key determinants in assessing whether the carrying value of the Group's oil and gas properties and intangible assets have been impaired. Proved reserves are determined using estimates such as oil in place, future product prices and drilling and development plans.

Estimation of impairment of oil and gas assets and intangible assets

Oil and gas assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or there has been a favourable change in the estimates used to determine the recoverable amount. Determination as to whether and how much an asset is impaired or impairment loss is reversed involves the management estimates and judgements such as future price of oil and gas, the production profile and any significant changes in factors or assumptions used in estimating reserves.

Estimation of impairment of trade deposits paid

The Group's management estimates the loss allowance for trade deposits paid by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade deposit paid. Details of the key assumption and inputs used in estimating ECL are set out in note 27(c) to the consolidated financial statements. If the ECL rates on the trade deposits paid over 365 days had been 1% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been HK$92,000 (2023: HK$1,200,000) higher (lower).

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in oil and gas sales; and trading of oil and oil-related and other products.

	2024		
	Oil and gas sales *HK$'000*	Trading of oil, oil-related and other products *HK$'000*	Total *HK$'000*
Revenue			
– Sales of oil and gas: recognised at a point in time			
– United States of America ("USA")	1	–	1
– Sales of oil-related and other products: recognised at a point in time			
– People's Republic of China ("PRC")	–	153,125	153,125
	1	153,125	153,126
Segment profit (loss)	10,102	(6,128)	3,974
Unallocated income			5
Unallocated expenses			(17,285)
Finance costs			(147)
Loss before tax			(13,453)
Income tax expense			(8,029)
Loss for the year			(21,482)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2024			
	Oil and gas sales *HK$'000*	Trading of oil, oil-related and other products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Segment assets	168,153	106,052	–	274,205
Unallocated assets			10,756	10,756
Total assets				284,961
Segment liabilities	12,882	18,459	–	31,341
Deferred tax liabilities	6,560	(460)	–	6,100
Unallocated liabilities			18,872	18,872
Total liabilities				56,313
Other information				
Interest income	79	10	3	92
Finance costs	–	117	147	264
Depreciation	1	30	60	91
– Property, plant and equipment	–	–	1,869	1,869
– Right-of-use assets				
Loss on written off property, plant and equipment	2,524	–	–	2,524
(Reversal of) Provision for impairment loss				
– Property, plant and equipment	(2,682)	–	–	(2,682)
– Intangible assets	(26,218)	–	–	(26,218)
– Trade and other receivables	–	5,998	–	5,998
Legal and professional fees	3,475	–	3,057	6,532
Repair and maintenance expenses	8,285	–	–	8,285
Penalties	4,683	–	–	4,683

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2023		
	Oil and gas sales HK$'000 (Restated)	Trading of oil, oil-related and other products HK$'000	Total HK$'000 (Restated)
Revenue			
– Sales of oil and gas: recognised at a point in time			
– USA	–	–	–
– Sales of oil-related and other products: recognised at a point in time			
– PRC	–	161,497	161,497
	–	161,497	161,497
Segment (loss) profit	(24,991)	3,519	(21,472)
Unallocated income			203
Unallocated expenses			(14,687)
Finance costs			(223)
Loss before tax			(36,179)
Income tax credit			4,895
Loss for the year			(31,284)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

	2023			
	Oil and gas sales HK$'000 (Restated)	Trading of oil, oil-related and other products HK$'000	Unallocated HK$'000	Total HK$'000 (Restated)
Segment assets	140,709	183,802	–	324,511
Unallocated assets	–	–	12,611	12,611
Total assets				337,122
Segment liabilities	2,023	69,314	–	71,337
Deferred tax liabilities	1,043	–	–	1,043
Unallocated liabilities	–	–	11,404	11,404
Total liabilities				83,784
Other information				
Interest income	49	5,613	110	5,772
Finance costs	–	26	223	249
Depreciation				
– Property, plant and equipment	–	21	67	88
– Right-of-use assets	–	–	1,840	1,840
Provision for impairment loss				
– Property, plant and equipment	2,521	–	–	2,521
– Intangible assets	20,879	–	–	20,879
Legal and professional fees	–	–	960	960
Repair and maintenance expenses	1,218	–	–	1,218
Penalties	–	–	–	–

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group's revenue from external customers and its non-current assets are categorised into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2024	2023	**2024**	2023
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*
				(Restated)
Hong Kong (place of domicile)	**–**	–	**1,543**	3,460
USA	**1**	–	**174,229**	147,703
PRC	**153,125**	161,497	**109**	83
	153,126	161,497	**175,881**	151,246

The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the non-current assets is based on physical location of the asset in the case of property, plant and equipment, right-of-use assets, statutory deposits and other assets and the location of the operation to which they are allocated in the case of intangible assets.

The Group's customer base includes four (2023: three) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers were amounted to approximately HK$63,087,000, HK$33,854,000, HK$28,003,000 and HK$19,458,000 respectively (2023: HK$43,218,000, HK$27,854,000 and HK$19,786,000 respectively) and were related to trading of oil, oil-related and other products segment.

5. OTHER INCOME

	2024	2023
	HK\$'000	*HK\$'000*
Interest income	**92**	5,772
Sundry income	**311**	579
	403	6,351

6. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank loan	117	26
Interest on lease liabilities	147	223
	264	249

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2024 HK$'000	2023 HK$'000 (Restated)
Employee benefit expense, including directors' emoluments:		
– Salaries and allowances	9,053	10,017
– Retirement scheme contributions	355	363
	9,408	10,380
Cost of inventories	150,955	159,988
Depreciation		
– Property, plant and equipment	91	88
– Right-of-use assets	1,869	1,840
Auditor's remuneration:		
– Annual audit	1,260	880
– Non-assurance services	170	170
Loss on written off of property, plant and equipment	2,524	–
(Reversal of) Provision for impairment loss		
– Property, plant and equipment	(2,682)	2,521
– Intangible assets	(26,218)	20,879
Provision for impairment loss of trade and other receivables	5,998	–
Short-term lease payments	756	739
Legal and professional fees	6,532	960
Repair and maintenance expenses	8,285	1,218
Penalties	4,683	–

8. INCOME TAX (EXPENSE) CREDIT

Hong Kong Profits tax

The two-tiered profits tax rates regime has been implemented in Hong Kong since 1 April 2018.

For the years ended 31 December 2024 and 2023, no provision for Hong Kong profits tax has been made for the Hong Kong incorporated subsidiaries of the Group as they had no assessable profits for the years.

Overseas taxes

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

PRC Enterprise Income tax ("EIT")

EIT has been provided on the estimated assessable profits of a subsidiary operating in the PRC at a concessionary tax rate of 15% under Hainan Free Trade Port's Preferential for the year ended 31 December 2024. EIT had not been provided as the subsidiary operating in the PRC incurred a loss for taxation purposes for the year ended 31 December 2023.

PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-Chinese tax resident enterprise, will be subject to PRC withholding tax at 10%.

Withholding income tax of 10% is provided on the dividends distributed or expected to be distributed by the PRC subsidiaries of the Group. As at 31 December 2024 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Groups' subsidiaries established in the PRC of HK$80,963,000 (2023: HK$79,295,000). In the opinion of the directors, these accumulated undistributed profits, at the present time, are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future.

US tax

For the years ended 31 December 2024 and 2023, no provision for US tax has been made for the US incorporated subsidiaries of the Group as they had no assessable profits. The tax rate adopted to measure the current tax and deferred tax balances is 21%.

8. INCOME TAX (EXPENSE) CREDIT *(Continued)*

	2024 ***HK$'000***	2023 *HK$'000* *(Restated)*
Current income tax on profit for the year		
PRC EIT	**1,311**	–
PRC withholding tax	**1,661**	–
	2,972	–
Deferred tax	**5,057**	(4,895)
Total tax expense (credit) for the year	**8,029**	(4,895)

Reconciliation between tax expense (credit) and accounting loss at applicable tax rates:

	2024 ***HK$'000***	2023 *HK$'000* *(Restated)*
Loss before tax	**(13,453)**	(36,179)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(1,537)**	(7,142)
Tax effect of non-taxable revenue	**(5)**	(110)
Tax effect of non-deductible expenses	**7,084**	2,192
Tax effect of unrecognised temporary differences	**826**	–
Tax effect of tax losses not recognised	**–**	165
Tax effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**1,661**	–
Income tax expense (credit)	**8,029**	(4,895)

9. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: HK$Nil).

10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the followings:

	2024	2023 *(Restated)*
Loss for the year attributable to owners of the Company *(HK$'000)*	**(21,482)**	(31,284)
Weighted average number of ordinary shares *('000)*	**841,636**	841,636
Basic and diluted loss per share *(HK cents)*	**(2.55)**	(3.72)

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2024 and 2023, excluding ordinary shares held as treasury shares.

(b) Diluted loss per share

The calculation of diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

2024

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Yu Jiyuan (resigned on 4 October 2024)	–	1,491	14	1,505
Yang Yuyan	–	347	64	411
Sun Xiaoze[(3)]	–	221	–	221
Yu Zhibo	–	975	18	993
Jin Ailong	–	1,495	64	1,559
Non-executive directors:				
Zheng Ye	–	130	–	130
Lin Qing Yu	–	130	–	130
Chen Junyan (resigned on 2 December 2024)	–	111	–	111
Independent non-executive directors:				
Zhong Bifeng	240	–	–	240
Huang Qingwei	120	–	–	120
Shen Shigang	120	–	–	120
Lam Shuk Yi Mariana (resigned on 3 September 2024)	81	–	–	81
	561	4,900	160	5,621

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

2023

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:				
Lin Qing Yu [2]	–	77	–	77
Chen Junyan [2]	–	77	–	77
Yu Jiyuan	–	1,817	18	1,835
Yang Yuyan	–	329	–	329
Sun Xiaoze[3]	–	223	–	223
Yu Zhibo [1]	–	686	13	699
Jin Ailong (appointed on 17 April 2023)	–	1,500	–	1,500
Li Songtao (resigned on 17 April 2023)	–	36	–	36
Non-executive directors:				
Yu Zhibo [1]	–	289	5	294
Zheng Ye	–	130	–	130
Lin Qing Yu [2]	–	140	–	140
Chen Junyan [2]	–	140	–	140
Independent non-executive directors:				
Zhong Bifeng	240	–	–	240
Huang Qingwei	120	–	–	120
Shen Shigang	120	–	–	120
Lam Shuk Yi Mariana (appointed on 14 July 2023)	56	–	–	56
Pang Jun (resigned on 17 April 2023)	36	–	–	36
	572	5,444	36	6,052

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Note:

(1) Mr. Yu Zhibo was re-designated from a non-executive director to an executive director on 17 April 2023.

(2) Mr. Lin Qing Yu and Ms. Chen Junyan were re-designated from executive directors to non-executive directors on 17 April 2023.

(3) Ms. Sun Xiaoze has tendered her resignation on 28 March 2025 as an executive director with effect from 28 April 2025.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No directors and five highest paid individuals have waived emoluments in respect of the years ended 31 December 2024 and 2023.

No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2024 and 2023.

(b) Five highest paid individuals

During the year ended 31 December 2024, out of the five individuals with the highest emoluments in the Group, three (2023: three) were directors of the Company, details of whose emoluments are set out in note 11(a) above. The emoluments of the remaining two (2023: two) individuals for the year ended 31 December 2024 were as follows:

	2024	2023
	HK$'000	*HK$'000*
Salaries and other benefits	**1,671**	2,438
Retirement benefits scheme contributions	**26**	36
	1,697	2,474

	Number of Individual	
	2024	2023
Emoluments band:		
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	1
	2	2

No emoluments were paid by the Group to any five highest paid individuals as inducement to join or upon joining the Group during the years ended 31 December 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2023, as previously reported	90,116	89	1,380	–	91,585
Correction of prior year errors	(59,037)	–	–	–	(59,037)
At 1 January 2023, as restated	31,079	89	1,380	–	32,548
Additions	–	–	–	88	88
At 31 December 2023, as restated	31,079	89	1,380	88	32,636
At 1 January 2024, as previously reported	**90,116**	**89**	**1,380**	**88**	**91,673**
Correction of prior year errors	**(59,037)**	**–**	**–**	**–**	**(59,037)**
At 1 January 2024, as restated	**31,079**	**89**	**1,380**	**88**	**32,636**
Additions	**144**	**–**	**19**	**53**	**216**
Exchange difference	**–**	**–**	**(1)**	**2**	**1**
Written off	**(5,115)**	**–**	**–**	**–**	**(5,115)**
At 31 December 2024	**26,108**	**89**	**1,398**	**143**	**27,738**

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Oil and gas properties *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor Vehicles *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment losses					
At 1 January 2023, as previously reported	34,865	89	1,189	–	36,143
Correction of prior year errors	(21,929)	–	–	–	(21,929)
At 1 January 2023, as restated	12,936	89	1,189	–	14,214
Charge for the year	–	–	80	8	88
Impairment loss	2,521	–	–	–	2,521
At 31 December 2023, as restated	15,457	89	1,269	8	16,823
At 1 January 2024, as previously reported	**41,495**	**89**	**1,269**	**8**	**42,861**
Correction of prior year errors	**(26,038)**	**–**	**–**	**–**	**(26,038)**
At 1 January 2024, as restated	**15,457**	**89**	**1,269**	**8**	**16,823**
Charge for the year	**–**	**–**	**64**	**27**	**91**
Exchange difference	**–**	**–**	**(1)**	**(1)**	**(2)**
Impairment loss reversed	**(2,682)**	**–**	**–**	**–**	**(2,682)**
Written off	**(2,591)**	**–**	**–**	**–**	**(2,591)**
At 31 December 2024	**10,184**	**89**	**1,332**	**34**	**11,639**
Net book value					
At 31 December 2024	**15,924**	**–**	**66**	**109**	**16,099**
At 31 December 2023, as restated	15,622	–	111	80	15,813
At 1 January 2023, as restated	18,143	–	191	–	18,334

13. RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

	Leased properties
	HK$'000
For the year ended 31 December 2023	
At beginning of the reporting period	4,628
Addition	974
Depreciation	(1,840)
Derecognition	(409)
At end of the reporting period	3,353
For the year ended 31 December 2024	
At beginning of the reporting period	**3,353**
Depreciation	**(1,869)**
At end of the reporting period	**1,484**
As at 31 December 2023	
Cost	5,121
Accumulated depreciation	(1,768)
Net carrying amount	3,353
As at 31 December 2024	
Cost	**5,121**
Accumulated depreciation	**(3,637)**
Net carrying amount	**1,484**

The Group's right-of-use assets represent the office premise and staff quarters located in Hong Kong for its daily operations and with original lease term of 2 to 3 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The total cash outflow for leases was HK$2,664,000 (2023: HK$2,658,000) for the year ended 31 December 2024.

14. INTANGIBLE ASSETS

	Oil and gas processing rights HK$'000
Costs	
At 1 January 2023, as previously reported	2,818,920
Correction of prior year errors	(1,470,745)
At 1 January 2023, 31 December 2023, and 1 January 2024, as restated and 31 December 2024	1,348,175
Accumulated amortisation and impairment	
At 1 January 2023, as previously reported	2,486,671
Correction of prior year errors	(1,288,833)
At 1 January 2023, as restated	1,197,838
Impairment loss	20,879
At 31 December 2023, as restated	1,218,717
At 1 January 2024, as previously reported	**2,526,541**
Correction of prior year errors	**(1,307,824)**
At 1 January 2024, as restated	**1,218,717**
Impairment loss reversed	**(26,218)**
At 31 December 2024	**1,192,499**
Net carrying amounts	
At 31 December 2024	**155,676**
At 31 December 2023, as restated	129,458
At 1 January 2023, as restated	150,337

14. INTANGIBLE ASSETS *(Continued)*

The intangible assets represent oil and gas processing rights in Utah, the USA. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves. The lease contracts for oil and gas processing rights contain provisions that the Group is required to maintain the wells in production of oil or gas in paying quantities sufficient to pay the operating expenses after royalties and taxes.

Upon the termination of the Relevant Leases as mentioned in Note 2(a), the Group's oil and gas processing rights under intangible assets and the oil and gas properties under the property, plant and equipment set out in Note 12 to the consolidated financial statements that related to the Relevant Leases should have been written off during the year ended 31 December 2022.

For the purpose of impairment test, the oil and gas processing rights under intangible assets set out in this note and the oil and gas properties of HK$15,924,000 (2023 (Restated): HK$15,622,000) included in property, plant and equipment set out in Note 12 to the consolidated financial statements related to the remaining leases have been allocated to the oil and gas sales segment of the Group, which is an individual cash-generating unit ("Oil and Gas Sales CGU").

The recoverable amount for this Oil and Gas Sales CGU was determined based on fair value, reflecting market conditions less cost of disposal with reference to a valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited. The fair value less cost of disposal calculations use cash flow projections of 38 years (2023: 65 years) in which substantial reserves expected to be extracted within 36 years (2023: 39 years) upon commencement of drilling, which is the expected period of time estimated by the management to fully utilise the reserve as per the latest competent person report, and a discount rate of 14.66% (2023 (Restated): 12.60%). The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast to future oil and gas prices, historical growth rate of oil and gas prices, expectation on oil and gas consumption and cost of exploration.

After assessing the information, in view of the increase in estimated prices of oil and natural gas in coming years, the recoverable amount of Oil and Gas Sales CGU at the end of the reporting period was estimated to be HK$171,600,000 (2023 (Restated): HK$145,080,000) which is higher (2023 (Restated): lower) than its carrying amount. As a result, a reversal of impairment loss on oil and gas properties of HK$2,682,000 (2023 (Restated): a provision of impairment loss of HK$2,521,000) and oil and gas processing rights of HK$26,218,000 (2023 (Restated): a provision of impairment loss of HK$20,870,000) was recognised during the year.

The fair value measurement in the impairment assessment is categorised in level 3 of the fair value hierarchy. The significant unobservable input including the future price of oil and gas, gross margin, growth rate, discount rate and cost of exploration, where the higher the price of oil and gas, gross margin and growth rate and the lower of the discount rate and cost of exploration, the higher the fair value of the Oil and Gas Sales CGU would be. This measurement requires the Group to make estimates about expected future cash flows and discount rates, hence they are subject to uncertainty. If the future price of oil and gas had been increased or decreased by 2% (2023: 2%) from the management's estimates, with other assumptions held constant, the recoverable amount of these assets in the Oil and Gas Sales CGU would be increased by HK$42,120,000 (2023 (Restated): HK$47,580,000) or reduced by HK$35,100,000 (2023 (Restated): HK$39,000,000) respectively. If the discount rate had been increased or decreased by 1% (2023: 1%) from the management's estimates, with other assumptions held constant, the recoverable amount of these assets in the Oil and Gas Sales CGU would be reduced by HK$14,040,000 (2023 (Restated): HK$14,040,000) or increased by HK$15,600,000 (2023 (Restated): HK$15,600,000) respectively.

14. INTANGIBLE ASSETS *(Continued)*

The following table shows the information relating to each of the oil and gas processing rights that are material to the Group:

Lease for oil and gas processing rights	Lease period expiring in	**2024** ***HK$'000***	2023 *HK$'000* *(Restated)*
Remaining lease with BLM	N/A*	**48,118**	40,014
Lease 1 with State of Utah	2999	**33,966**	28,246
Lease 2 with State of Utah	2999	**73,592**	61,198
		155,676	129,458

* The lease will remain valid and active until the well stops producing and the BLM sends another 60 day letter allowing the Group time to restore production.

15. STATUTORY DEPOSITS AND OTHER ASSETS

	2024 ***HK$'000***	2023 *HK$'000*
Oil and gas or geothermal lease bond	**507**	507
Right of way surety bond	**516**	516
Certificate of deposit	**1,599**	1,599
	2,622	2,622

16. TRADE RECEIVABLES

	2024 *HK$'000*	2023 *HK$'000*
Trade receivables from third parties	**7,207**	7,679
Less: Loss allowance	**(2,875)**	–
	4,332	7,679

The credit period of trade receivables is normally within 60 – 365 days. The ageing analysis of the trade receivables based on the date of delivery/invoice date is as follows:

	2024 *HK$'000*	2023 *HK$'000*
0-30 days	**–**	–
31-60 days	**–**	–
61-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**7,207**	7,679
	7,207	7,679

Information about the Group's exposure to credit risks for trade receivables is included in Note 27(c) to the consolidated financial statements.

For the year ended 31 December 2024, an impairment loss for the trade receivables from contracts with customers within HKFRS 15 of HK$2,934,000 (2023: HK$Nil) is recognised in the consolidated statement of profit or loss and other comprehensive income.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2024 HK$'000	2023 HK$'000
Prepayments		**1,117**	244
Rental and other deposits paid		**624**	641
Trade deposits paid	*(a)*	**89,207**	169,684
Interest receivable on trade deposits paid		**–**	5,575
Valued-added tax and other tax receivables		**2,350**	–
Other receivables		**942**	801
		94,240	176,945
Less: Loss allowance	*27 (c)*	**(3,003)**	–
		91,237	176,945

Information about the Group's exposure to credit risks for deposits paid and other receivables is included in Note 27(c) to the consolidated financial statements.

Note:

(a) Trade deposits paid

Trade deposits paid represent prepayments to suppliers which are unsecured, interest-free (2023: except for trade deposits of HK$118,250,000 which borne interest at 4.35% per annum, other trade deposits were interest-free) and will be used to offset against future purchases from suppliers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the end of each reporting period, the Group has a certain concentration of credit risk as 78% (2023: 70%) and 100% (2023: 100%) of the total trade deposits paid to the Group's largest supplier and the five largest suppliers respectively.

18. BANK BALANCES AND CASH

At end of reporting period, the bank balances of the Group which are denominated in Renminbi ("RMB") amounted to HK$12,992,000 (2023: HK$720,000). The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

19. TRADE AND OTHER PAYABLES

	Notes	2024 HK$'000	2023 HK$'000
Trade payables to third parties	*(a)*	**246**	148
Other payables			
Accruals		**5,034**	3,617
Accrued directors' fee and salaries		**1,437**	1,632
Accrued legal and professional fees		**2,270**	90
Accrued repair and maintenance expenses		**3,257**	–
Accrued penalties		**4,683**	–
Deposits received from customers		**4,237**	4,770
Contract liabilities	*(b)*	**–**	32,160
Value-added tax and other tax payables		**67**	7,930
Other payables		**387**	382
		21,372	50,581
		21,618	50,729

Notes:

(a) The credit period of trade payables is normally within 90 days. The ageing analysis of the trade payables, based on the invoice date is as follows:

	2024 HK$'000	2023 HK$'000
0-30 days	**–**	37
31-60 days	**–**	–
61-180 days	**–**	–
181-365 days	**53**	–
Over 365 days	**193**	111
	246	148

(b) The contract liabilities from contracts with customers within HKFRS 15 at end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the year are as follows:

	2024 HK$'000	2023 HK$'000
At beginning of the reporting period	**32,160**	–
Recognised as revenue	**(32,160)**	–
Receipt of advances	**–**	32,160
At end of the reporting period	**–**	32,160

20. LOANS FROM ULTIMATE HOLDING COMPANY

The loans from ultimate holding company are unsecured, interest-free and with original maturity repayable in 6 months in 2025.

21. BANK LOAN AND OTHER BORROWINGS

	Note	2024 HK$'000	2023 HK$'000
Bank loan	(a)	3,193	2,859
Other borrowings		–	10,995
		3,193	13,854

Note:

(a) Bank loan

The bank loan represents the unsecured revolving banking facility of RMB3,000,000 (equivalent to HK$3,193,000) (2023: RMB2,600,000 (equivalent to HK$2,859,000)) utilised, with a term of 1 year from 13 August 2024 (2023: 8 August 2023), that carries variable interest rate with reference to the PRC's Loan Prime Rate as determined by the National Interbank Funding Center plus 0.13% per annum (2023:0.68% per annum). As at 31 December 2024, the effective interest rate of the bank loan was 3.48% per annum (2023: 4.23% per annum).

22. LEASE LIABILITIES

	2024 HK$'000	2023 HK$'000
Current portion	1,701	1,888
Non-current portion	–	1,574
	1,701	3,462

23. DEFERRED TAX

The movement during the year in deferred tax liabilities (assets) is as follows:

	Fair value adjustment on intangible assets *HK$'000* *(Restated)*	Impairment losses on property, plant and equipment *HK$'000* *(Restated)*	Loss allowance *HK$'000*	Tax losses *HK$'000*	Total *HK$'000* *(Restated)*
At 1 January 2023, as previously reported	69,501	(6,876)	–	(10,871)	51,754
Correction of prior year errors	(50,846)	5,030	–	–	(45,816)
At 1 January 2023, as restated	18,655	(1,846)	–	(10,871)	5,938
Charge to profit or loss	(4,368)	(527)	–	–	(4,895)
At 31 December 2023, as restated	14,287	(2,373)	–	(10,871)	1,043
At 1 January 2024, as previously reported	**61,161**	**(8,263)**	**–**	**(10,871)**	**42,027**
Correction of prior year errors	**(46,874)**	**5,890**	**–**	**–**	**(40,984)**
At 1 January 2024, as restated	**14,287**	**(2,373)**	**–**	**(10,871)**	**1,043**
Credit (charge) to profit or loss	**4,956**	**561**	**(460)**	**–**	**5,057**
At 31 December 2024	**19,243**	**(1,812)**	**(460)**	**(10,871)**	**6,100**

23. DEFERRED TAX *(Continued)*

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2024 *HK$'000*	31 December 2023 *HK$'000* *(Restated)*	1 January 2023 *HK$'000* *(Restated)*
Deferred tax assets	**(13,143)**	(13,244)	(12,717)
Deferred tax liabilities	**19,243**	14,287	18,655
Net deferred tax liabilities	**6,100**	1,043	5,938

At end of the reporting period, the Group has unrecognised unused tax losses of approximately HK$55,316,000 (2023: HK$55,316,000) available for offset against future profits. However, no deferred tax asset in respect of them had been recognised due to the unpredictability of future profit streams even though those tax losses may be carried forward indefinitely.

24. SHARE CAPITAL

	2024		2023	
	Number of shares *'000*	***HK$'000***	Number of shares *'000*	*HK$'000*
Authorised:				
At beginning of the reporting period and at end of the reporting period, ordinary shares of HK$0.2 each	**100,000,000**	**20,000,000**	100,000,000	20,000,000
Issued and fully paid:				
At beginning and at the end of the reporting period, ordinary shares of HK$0.2 each	**841,879**	**168,376**	841,879	168,376

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. RESERVES

(a) Capital reserve

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

(b) Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by a subsidiary of the Group. At 31 December 2024, the subsidiary held 243,600 ordinary shares of the Company (31 December 2023: 243,600 ordinary shares).

(c) Statutory reserves

Statutory reserves were established in accordance with the relevant rules and regulations in PRC and the articles of association of the PRC subsidiaries. Those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profit after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. Appropriations to the reserves were approved by the respective boards of directors. These reserves may be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital. These reserves are non-distributable other than upon liquidation. Transfers to these reserves must be made before distributing dividends.

(d) Contributed surplus

The contributed surplus of the Company represents the excess of the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Under the Companies Act 1981 Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

(e) Share premium

The share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

25. RESERVES *(Continued)*

(f) Translation reserve

Translation reserve of the Group comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2 to the consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following significant transactions and balances with its related parties:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors, as disclosed in Note 11(a) to the consolidated financial statements, is as follows:

	2024	2023
	HK$'000	*HK$'000*
Key management personnel:		
– Short term employee benefits	**5,461**	6,016
– Pension scheme contribution	**160**	36
	5,621	6,052

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group actively and regularly reviews and manages its financial risks and takes actions to mitigate such risks. The board of directors reviews and agrees policies for managing each of these risks.

(a) Foreign currency risk

The Group's transactions are mainly denominated in HK$, RMB and United States dollars ("US$") which are the functional currencies of the respective subsidiaries. Most of the Group's operations are transacted in the functional currency of the respective group entities, therefore, the Group does not have significant exposure to foreign currency risk.

(b) Interest rate risk

The Group's interest-earning financial assets comprise bank balances. The Group's Interest-bearing financial liabilities comprise bank loan and lease liabilities. The Group has no significant exposure to interest rate risk.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements. The credit risk of the Group is primarily attributable to trade receivables, prepayments, deposits and other receivables, and bank balances and cash.

Trade receivables

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group does not obtain collateral in respect of trade receivables. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. The Group limits its exposure to credit risk from trade receivables by closely monitoring the unsettled balances and taking promptly follow-actions.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

At the end of the reporting period, the Group had a concentration of credit risk as 80% (2023: 77%) and 100% (2023: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised below.

As at 31 December 2024

	Expected loss rate *%*	**Gross carrying amount** *HK$'000*	**Loss allowance** *HK$'000*	**Credit-impaired**
Not past due	**–**	**–**	**–**	**No**
1 – 30 days past due	**–**	**–**	**–**	**No**
31 – 90 days past due	**–**	**–**	**–**	**No**
91 – 180 days past due	**–**	**–**	**–**	**No**
181 – 360 days past due	**–**	**–**	**–**	**No**
Over 360 days past due	**40%**	**7,207**	**2,875**	**Yes**
		7,207	**2,875**	

As at 31 December 2023

	Expected loss rate *%*	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Credit-impaired
Not past due	–	–	–	No
1 – 30 days past due	–	–	–	No
31 – 90 days past due	–	–	–	No
91 – 180 days past due	–	–	–	No
181 – 360 days past due	–	–	–	No
Over 360 days past due	–	7,679	–	No
		7,679	–	

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

The Group does not hold any collateral over trade receivables as at 31 December 2024 (2023: HK$Nil).

As at 31 December 2024, the Group recognised loss allowance of HK$2,875,000 (2023: HK$Nil) on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	2024	2023
	HK$'000	*HK$'000*
At beginning of year	–	–
Increase in allowance	**2,934**	–
Exchange difference	**(59)**	–
At end of year	**2,875**	–

Trade deposits paid

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience over the past years and adjusted for forward-looking factors that are specific to the suppliers and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The directors have reassessed the recoverability of the unutilised prepayments based on all relevant information available to the Group including available public information and the experiences of the historical credit loss experience and default of delivery of goods.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk *(Continued)*

Trade deposits paid *(Continued)*

The information about the exposure to credit risk and ECL for trade deposits paid, by aging analysis based on the date of payment made, is summarised below.

As at 31 December 2024

	Expected loss rate %	Gross carrying amount *HK$'000*	Loss allowance *HK$'000*	Credit-impaired	ECL
1 – 90 days	**3.37%**	**80,007**	**2,693**	**No**	**12-month**
91 – 180 days	**–**	**–**	**–**	**No**	**12-month**
181 – 365 days	**–**	**–**	**–**	**No**	**12-month**
Over 365 days	**3.37%**	**9,200**	**310**	**No**	**12-month**
		89,207	**3,003**		

As at 31 December 2023

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired	ECL
1 – 90 days	–	43,139	–	No	12-month
91 – 180 days	–	1,869	–	No	12-month
181 – 365 days	–	6,426	–	No	12-month
Over 365 days	–	118,250	–	No	12-month
		169,684	–		

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(c) Credit risk *(Continued)*

Trade deposits paid *(Continued)*

As at 31 December 2024, the Group recognised loss allowance of HK$3,003,000 (2023: HK$Nil) on the trade deposit. The movement in the loss allowance for trade deposit is summarised below.

	2024	2023
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Increase in allowance	**3,064**	–
Exchange difference	**(61)**	–
At end of year	**3,003**	–

The expected loss rate for calculating ECL of trade deposits paid to suppliers is based on the Group's assessment of the credit quality of each individual supplier. A specific expected loss rate will be applied, on case-by-case basis, when the management of the Group considers there has been significant increase in credit risk for the trade deposits paid to 4 (2023: 4) individual supplier. For the year ended 31 December 2024, an impairment loss of HK$3,064,000 (2023: HK$Nil) has been recognised in the consolidated statement of profit or loss and other comprehensive income.

Statutory deposits, other assets, rental and other deposits, and other receivables

The management considers the credit risk on statutory deposits, other assets, rental and other deposits, and other receivables, net of impairment losses, is minimal after considering the financial conditions of counterparties. Management has performed assessment over the recoverability of these balances and does not expect any losses from these balances. There is no change in loss allowance for deposits and other receivables (2023: HK$Nil).

Bank balances

The credit risk for bank balances is considered negligible as the counterparties are reputable banks.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(d) Liquidity risk

In the opinion of the directors, the Group should have adequate resources to meet its obligation in the forthcoming year.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2024				
	On demand or within 1 year *HK$'000*	**1 to 2 year** *HK$'000*	**2 to 5 year** *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Total carrying amount** *HK$'000*
Trade and other payables (excluded deposits received from customers, contract liabilities, value-added tax and other tax payables)	**17,314**	–	–	**17,314**	**17,314**
Loans from ultimate holding company	**10,900**	–	–	**10,900**	**10,900**
Bank loan and other borrowings	**3,193**	–	–	**3,193**	**3,193**
Lease liabilities	**1,740**	–	–	**1,740**	**1,701**
	33,147	–	–	**33,147**	**33,108**

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(d) Liquidity risk *(Continued)*

	2023				
	On demand or within 1 year *HK$'000*	1 to 2 year *HK$'000*	2 to 5 year *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Total carrying amount *HK$'000*
Trade and other payables (excluded deposits received from customers, contract liabilities, value-added tax and other tax payables)	5,787	–	–	5,787	5,787
Loans from ultimate holding company	2,980	–	–	2,980	2,980
Bank loan and other borrowings	13,854	–	–	13,854	13,854
Lease liabilities	2,034	1,614	–	3,648	3,462
	24,655	1,614	–	26,269	26,083

(e) Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

28. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of net debt to total equity ratio and gearing (debt-to-asset) ratio. For this purpose, net debt is defined as total borrowings less cash and cash equivalents. To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debt financing.

28. CAPITAL MANAGEMENT *(Continued)*

The Group's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Total assets	**284,961**	337,122
Total debts	**56,313**	83,784
Loans from ultimate holding company	**10,900**	2,980
Bank loan and other borrowings	**3,193**	13,854
Cash and cash equivalent	**(13,511)**	(1,252)
Net debt	**582**	15,582
Shareholders' equity	**227,633**	252,323
Net debt to equity ratio	**0.3%**	6.2%
Debt ratio (Total debts/shareholders' equity)	**24.74%**	33.21%

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Loans from ultimate holding company *HK$'000*	Bank loan and other borrowings *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2024	**2,980**	**13,854**	**3,462**	**20,296**
Changes from financing cash flows:				
Loans from ultimate holding company	**21,000**	**–**	**–**	**21,000**
Repayment of loan from ultimate holding company	**(13,080)**	**–**	**–**	**(13,080)**
New bank loan and other borrowings	**–**	**3,193**	**–**	**3,193**
Repayment of bank loan and other borrowings	**–**	**(13,408)**	**–**	**(13,408)**
Repayment of lease liabilities	**–**	**–**	**(1,761)**	**(1,761)**
Interest paid	**–**	**(117)**	**(147)**	**(264)**
Total changes from financing cash flows	**7,920**	**(10,332)**	**(1,908)**	**(4,320)**
Other changes:				
Exchange realignment	**–**	**(446)**	**–**	**(446)**
Interest expenses	**–**	**117**	**147**	**264**
Total other changes	**–**	**(329)**	**147**	**(182)**
At 31 December 2024	**10,900**	**3,193**	**1,701**	**15,794**
At 1 January 2023	–	–	4,634	4,634
Changes from financing cash flows:				
Loans from ultimate holding company	2,980	–	–	2,980
New bank loan and other borrowings	–	24,849	–	24,849
Repayment of bank loan and other borrowings	–	(10,995)	–	(10,995)
Repayment of lease liabilities	–	–	(1,696)	(1,696)
Interest paid	–	(26)	(223)	(249)
Total changes from financing cash flows	2,980	13,828	(1,919)	14,889
Other changes:				
New lease	–	–	931	931
Derecognition	–	–	(407)	(407)
Interest expenses	–	26	223	249
Total other changes	–	26	747	773
At 31 December 2023	2,980	13,854	3,462	20,296

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Interest in subsidiaries		**10**	10
Amount due from subsidiaries		**307,097**	294,205
		307,107	294,215
Current assets			
Prepayments, deposits and other receivables		**92**	4
Bank balances and cash		**32**	104
		124	108
Current liabilities			
Amount due to subsidiaries		**64,491**	48,250
Other payables and accruals		**4,334**	2,317
Loans from ultimate holding company		**10,900**	2,980
		79,725	53,547
Net current liabilities		**(79,601)**	(53,439)
Total assets less current liabilities		**227,506**	240,776
Net assets		**227,506**	240,776
Equity			
Share capital	*24*	**168,376**	168,376
Reserves	*30(a)*	**59,130**	72,400
Total equity		**227,506**	240,776

This statement of financial position was approved and authorised for issue by Board of Directors on 28 March 2025 and signed on its behalf by:

Yu Zhibo	**Jin Ailong**
Executive Director	*Executive Director*

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserves

	Share premium *HK$'000* *Note 25(e)*	Contributed surplus *HK$'000* *Note 25(d)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2023	2,816,577	45,348	(2,772,223)	89,702
Loss for the year and total comprehensive loss for the year	–	–	(17,302)	(17,302)
At 31 December 2023 and 1 January 2024	2,816,577	45,348	(2,789,525)	72,400
Loss for the year and total comprehensive loss for the year	–	–	(13,270)	(13,270)
At 31 December 2024	**2,816,577**	**45,348**	**(2,802,795)**	**59,130**

31. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2024 are as follows:

Name of company	Place of incorporation/ operation	Issued ordinary share capital/ Paid-up share capital	Percentage of equity interests held by the Company	Principal activities
Pearl Oriental International Assets Limited	Hong Kong	HK$1	100%	Provision of corporate services
Festive Oasis Limited	The British Virgin Islands (“BVI”)	US$1,000	100%	Investment holding
Shiny One Limited	BVI	US$100	100%	Investment holding
Shiny One, USA, LLC	USA	N/A	100%	Exploration, development, production and sales of natural gas and oil
Oriental Pearl Petroleum (Daqing) Co., Ltd* 東方明珠石油(大慶)有限公司	PRC	RMB20,000,000	100%	Trading of oil, oil-related and other products
Palm Energy (Hainan) Co., Limited* 棕櫚能源(海南)有限公司	PRC	N/A	100%	Trading of oil, oil-related and other products

* The official names are in Chinese and the English names are translated for identification purpose only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

32. EVENT AFTER THE REPORTING PERIOD

(a) Placing shares under general mandate

On 15 January 2025, the Company entered into an agreement with a placing agent, pursuant to which the placing agent conditionally agreed, to procure the placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for no more than 20,000,000 placing shares of the Company at the price of HK$0.385 per placing share.

The conditions set out in the placing agreement have been fulfilled and the placing was completed on 5 February 2025. An aggregate of 15,426,000 placing shares have been successfully placed by the placing agent at the price of HK$0.385 per placing share.

The gross proceeds from the placing amount to approximately HK$5.9 million and the net proceeds from the placing (after deduction of the placing commission in respect of the placing and other related expenses including, among others, the professional fees) amount to approximately HK$5.5 million and the net issue price per placing share is approximately HK$0.357.

Details of the placing arrangement are set out in the announcements of the Company dated 15 January 2025 and 5 February 2025.

(b) Loan settlement agreement with Xin Hua

On 17 January 2025, the Company entered into a loan settlement agreement with Xin Hua, the ultimate holding company of the Company holdings approximately 67.67% of the issued shares of the Company, that partial and aggregated principal amount of loan from Xin Hua of HK$5,000,000 as included in Note 20 will be settled through the issuance and allotment of 12,048,192 capitalisation shares at the issue price of HK$0.415 per capitalisation share. A resolution was passed at the special general meeting on 21 March 2025.

Details of the loan capitalisation are set out in the announcements of the Company dated 17 January 2025 and the circular dated 28 February 2025.

33. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 21	Lack of Exchangeability (1)
Amendments to HKFRS 9 and HKFRS	Amendments to the Classification and Measurement of Financial Instruments (2)
Annual Improvements to HKFRSs	Volume 11 (2)
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity (2)
HKFRS 18	Presentation and Disclosure in Financial Statements (3)
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (3)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for annual periods beginning on or after 1 January 2025
(2) Effective for annual periods beginning on or after 1 January 2026
(3) Effective for annual periods beginning on or after 1 January 2027

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below.

RESULTS

	2024	2023	2022	2021	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*		
Revenue	**153,126**	161,497	355,277	1,528,065	736,762
(Loss) Profit before tax	**(13,453)**	(36,179)	(209,566)	190,125	19,185
Income tax (expense) credit	**(8,029)**	4,895	35,169	(42,305)	(10,469)
(Loss) Profit for the year	**(21,482)**	(31,284)	(174,397)	147,820	8,716
(Loss) Profit for the year attributable to:					
Owners of the Company	**(21,482)**	(31,284)	(174,397)	147,820	8,716
Non-controlling interests	**–**	–	–	–	–
	(21,482)	(31,284)	(174,397)	147,820	8,716
Total assets	**284,961**	337,122	334,478	617,540	542,618
Total liabilities	**(56,313)**	(83,784)	(47,020)	(145,635)	(224,469)
Net assets	**228,648**	253,338	287,458	471,905	318,149